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THE ECONOMIC ASPECTS OF URBANIZATION, ECONOMIC CONSIDERATIONS IN COMMUNITY ACTION. KANSAS STATE UNIVERSITY SHORT COURSE SERIES IN PLANNING AND DEVELOPMENT, 2.

BY- MCGRAW, EUGENE T.
KANSAS STATE UNIV., MANHATTAN, AGR. AND APPL. SCI.

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STATISTICAL DATA AND PROJECTIONS ON POPULATION, EMPLOYMENT, AND INCOME IN KANSAS, AS REPORTED IN 1966 BY THE KANSAS OFFICE OF ECONOMIC ANALYSIS, UNDERLINE THE FACT THAT KANSAS IS CHANGING FROM A LARGELY AGRICULTURAL ECONOMY TO A MANUFACTURING-CENTERED, URBAN-ORIENTED ECONOMY. HOWEVER, THE ANTICIPATED PATTERN OF ECONOMIC GROWTH AND DEVELOPMENT IS STILL SOMEWHAT UNEVEN AND NOT ENTIRELY HEALTHLY. AN EXAMINATION OF CERTAIN COMPONENTS OF URBAN CHANGE AND DEVELOPMENT--POPULATION DISTRIBUTION, SOCIOECONOMIC AND POLITICAL CHARACTERISTICS, PHYSICAL FACILITIES, AND THE FLOW OF GOODS AND SERVICES--IN TERMS OF THE BASIC-NONBASIC CONCEPT OF THE URBAN ECONOMIC BASE SUGGESTS THAT BASIC SUPPORT INDUSTRIES SERVING THE POPULATION OUTSIDE A GIVEN URBAN AREA ARE VITAL TO THE ECONOMIC STABILITY OF THE TOWNS AND MEDIUM-SIZED URBAN CENTERS OF KANSAS. THUS, THE CONCEPT OF URBAN CONFEDERATIONS, AIDED BY ADEQUATE MEANS OF TRANSPORTATION AND COORDINATED EMPLOYMENT SERVICES, AS A MEANS OF PERSERVING AND STIMULATING DIVERSIFIED REGIONAL ECONOMIES MAY BE OF VALUE TO INDIVIDUAL COMMUNITIES FACING THE COMPLEX PROBLEMS CREATED BY DIMINISHING ECONOMIC ACTIVITY. (THE DOCUMENT INCLUDES THREE MAPS, 17 CHARTS, AND 11 REFERENCES.) (LY)

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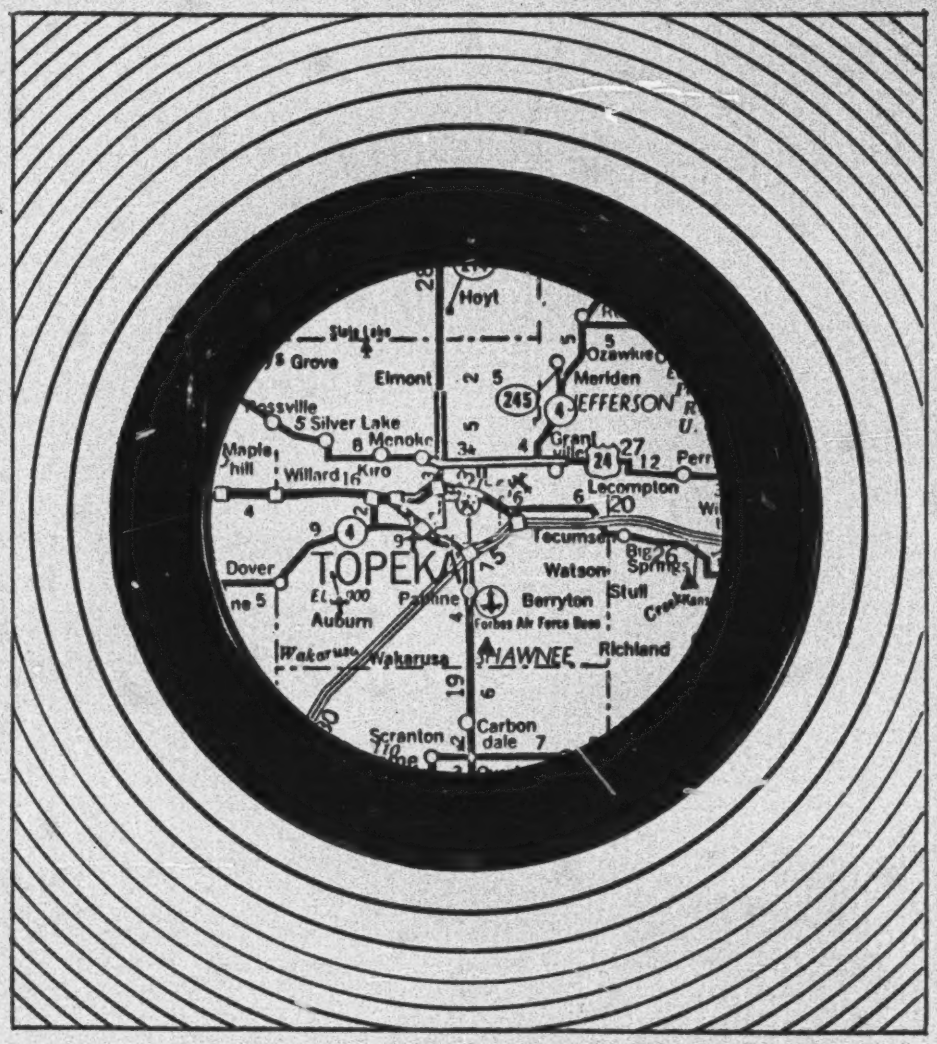

THE PROCESS OF URBANIZATION

The Economic Aspects

KANSAS STATE UNIVERSITY

DIVISION OF CONTINUING EDUCATION
COLLEGE OF ARCHITECTURE & DESIGN

CENTER FOR COMMUNITY
PLANNING SERVICES K.S.U.

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"THE PROCESS OF URBANIZATION"

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THE ECONOMIC ASPECTS OF URBANIZATION

Economic Considerations in Community Action

by

Eugene T. McGraw
Professor of Regional and Community Planning
Kansas State University

April 1967

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ECONOMIC PERSPECTIVES ON URBANIZATION

ECONOMIC TRENDS IN KANSAS

The series of graphs and maps (Figures 1 to 18) as published in the study entitled, Short Run Economic Trends and Forecast for Kansas, December, 1966 prepared by the Kansas Office of Economic Analysis, enclosed at the end of this section, ably demonstrate the factors of our State's changing economy during the period 1947 to 1965. The information upon which these graphs were constructed clearly indicates that during this approximate two-decade period, those employment activities which are agriculturally or extractive based continue to decline, while those which are urban orientated or centered are increasing. These demonstrate the fact that the State of Kansas is changing from an agrarian-based economy to one which is manufacturing centered and urban orientated. Future projections (See Figure 19) for employment in these two particular categories, agriculture and manufacturing, indicate that agricultural employment will continue to decline while manufacturing employment will continue to increase, though perhaps somewhat erratically.

Also contained in the report are the following observations concerning the character of employment and industrial activity for the immediate future.[1]

1. An unfavorable industrial structure but a potentially positive competitive position generally characterized the relative performance of the Kansas economy as measured by employment change during both the decade of the 1940's and 1950's.

2. The plains states, of which Kansas is a part, have generally experienced an unfavorable industrial structure as a result of heavy dependence on agriculture, as well as a weak competitive position in almost all industries except agriculture. Kansas is an exception. Particularly with respect to transportation equipment, Kansas competitive position has been very favorable with respect to the region. Consequently, the National Planning Association (NPA) suggests that Kansas will be the sole Plains state to grow nearly as rapidly as the nation to 1975.

3. Certain industries fared well in Kansas from 1950 to 1960 relative to the nation as a whole. These were Printing and Publishing, Chemicals and Allied Products, Electrical and Other Machinery Manufacturing, Transportation Equipment (other than Motor Vehicles and Equipment), Miscellaneous Manufacturing, Trucking and Warehousing, "Other" Retail Trade, Finance, Insurance, and Real Estate, Entertainment and Recreational Services, and Public Administration.

4. The net relative position of the state during the decade of the 1950's shows: First, state employment grew less rapidly than total national employment. Second, the state's industrial mix worked to its disadvantage (a major portion of state industries were slow growing nationally), but its regional share (of the industries which it contained) increased. Third, despite the positive competitive performance of the industry that it contained, the state increase was less than the national increase because it contained too many slow growth industries.

5. Yearly employment estimates are available in total and by major industry groupings from the Employment Security Division of the Kansas Department of Labor. Figures 1 through 15 sketch the fluctuations from 1947 to 1965. Total employment rose sharply from 1947 reaching a peak in 1952. This growth period was followed by a 10 year skid weakly interrupted by slight increases in 1957 and 1958. Strong gains in 1962 and again in 1964 suggest that a growth trend has been restored.

An examination of the fifteen figures which trace employment behavior in Kansas annually since 1947 by industry group allows the following general statements:[1]

1. Employment in farming has exhibited a steady and constant decline. On only two occasions did employment in farming increase over the previous year. However, since 1960 the decline has been less steep than in the previous periods.

2. Manufacturing employment in the state has been very unstable. Manufacturing employment reached its peak in 1953 but substantial declines occurred thereafter. Although a moderate upward trend has occurred since 1961, employment has not returned to its all-time high. Both durable and non-durable goods categories have experienced the same erratic behavior. The state's major manufacturing employment category, transportation equipment, has contributed heavily to these substantial fluctuations. The second most sizable employment category in manufacturing, food and kindred products, has experienced a stead decline in employment since 1947.

3. Since recording increases through 1955, employment in mining in the state has registered a constant decline.

4. As a reflection of the erratic behavior of the state's industries contract construction in the state exhibits substantial cyclical fluctuations.

5. Employment in transportation, communications and public utilities has declined steadily since 1953.

6. Employment in wholesale and retail trade, finance, insurance and real estate, services and federal, state and local government has experienced a steady rise paralleling the growth in the population of the state.

7. Because of the sparse settlement of many Kansas counties, it is not possible to obtain employment information in the same detail and with the same frequency for counties as it is for the state. For only thirteen of the state's counties can employment be obtained on an annual basis, and for six of these the information is presented by grouping counties in pairs.

The report concludes with the short-term forecast that:

1. Kansas will grow less rapidly than the nation, but more rapidly than states in the region through 1975.

2. Resident population according to the Office of Economic Analysis is anticipated to climb from 1,915,000 in 1960 to 2,562,000 in 1975. The urbanization process will continue with the result that 68.4 percent of the state's population will live in urban places compared with 61 percent in 1960.

3. Total personal income in 1964 dollars is projected at $8,503 million by 1975, up from the $4,686 million in 1960. Per capita personal income will increase from $2,149 in 1960 to $3,318 in 1975.

4. Similarly, state gross product is projected to grow to $10,702.6 million by 1975 from $5,806.4 million in 1960.

Available population statistics show a decline in rural population since 1910; urbanization trends have paralled the nation to a point where, between the decade 1950 to 1960, the state of Kansas urbanized at a rate exceeding that of the nation as a whole. The urban population of Kansas increased 33% between 1950 and 1960; the national average increase was about 29%.

IMPLICATIONS FOR COMMUNITIES

However satisfying this may seem to be, what is not so easily decernible from these statistics are the over-all implications of these trends in population to communities. Of one thing we are certain, new pressures are constantly being exerted on communities to cope with the problems arising from this redistribution of population. If we consider the nature of urban growth in the state, we soon realize that this flow of population is concentrating in and around already existing major urban centers in the state such as Kansas City, Wichita, Topeka, Hutchinson, and Salina. Allowing for internal growth in these centers, the fact still remains that substantial growth is due to immigration either from rural areas in the state or from areas outside the state. This shifting population

is primarily concentrated in the critical age group, 20 to 40, which is the age level of highest productivity and economic resources. This expanding urban population can be viewed both as an asset and a liability to a community. It is an asset insofar as the new population will provide a large labor pool for the community's industry and will be purchasers of goods and services provided within the community. Also it will serve as a source of tax revenue for a community. It is a liability in that a community will have to provide new physical facilities to accomodate the new people; this may put a strain on the financial capabilities of a community.

A population analysis of the state's 158 rural-urban centers (from population of 1,000 to 10,000) during the 1950-60 decade shows small gains in 105 of these centers.[2] Such gains should not, however, be over-emphasized because only 32 of those that showed an increase equaled the national rate of growth. In a later section of this text an attempt is made to outline some of the detailed reasons for growth or decline in Kansas's large and small urban centers.

The foregoing discussion of population trends is given as an example of interplay, a demonstration that a changing basic economic activity has social and political effects upon a community, a state, a region or, for that matter, the nation. The rapid expansion of the United States from an agrarian society to the foremost industrialized nation in the world over the last one hundred years has had a dramatic effect in terms of urbanization and community

development. In essence, all regions and urban centers of the nation have taken part in it and have been affected by it, for better or for worse. It is the intention of this course of instruction to outline, evaluate and understand the components of urban change and development in the state of Kansas.

THE KANSAS URBAN CENTER: A FUNCTIONAL APPROACH

Let us begin out study with an investigation of the Kansas urban center, but before we do, a word of explanation is necessary concerning the physical nature of community development. In an attempt to understand community development in terms of social, political and economic interaction, it is necessary to view the physical formation of the urban center as a result of the interaction of these three basic forces. It is with this explanation in mind that we begin our study of the urban center. Later, courses of action will be outlined for the purposes of marshalling a community's resources for the comprehensive planning of necessary physical improvements.

It is as imperative that a student of urban studies to be aware of, and understand, the functional nature of a community as it is, comparatively speaking, for a physician to understand the anatomy of the human body. We know that the mind is the intangible force that controls and drives the body, therefore, we must come to know and understand what intangible force or forces operate within an urban center to drive it. By their very nature these operating forces in an urban center are complex and difficult to circumscribe, and because of this, it is still possible to raise the most fundamental questions as to what the nature or structure of an urban center, city or community is.

A number of circumstances contribute to the difficulties of definition and conceptualization of the community.[3]

DIFFICULTIES IN DELINEATING THE UNIT

The major difficulties are indicated:

1. There is the lack of a formally constructed "all inclusive" definition corresponding to the idea of urban center, city or community.

2. Clear or definite geographic boundaries to delineate the locus of study are lacking; the "spilling over" of social relationships beyond political boundaries is a disconcerting phenomenon.

3. A number of different factors, all of which seem appropriate to the question of definition, do not coincide spatially when taken together.

Some of these factors are:[3]

1. Social relationships and behavior patterns.
2. Political jurisdictions.
3. Distribution of economic functions.
4. Population densities.
5. Employment.
6. Overlapping service territories.

The above listing is by no means all-inclusive. A rather long and extensive list of factors can be compiled which are generic to the concept of an urban place. Depending on which factors are chosen as the crucial ones, different spatial configurations can and do emerge. They illustrate that there are many ways of looking at the concept of urbanization; no simple or single way can be expected to account for all of the varied strands which make up the urban fabric.

Which way of thinking then captures the essence of the social reality which we term an urban center here in mid-America? It is the intention of this series to approach the definition of the urban center from a functional viewpoint. Unlike the situation in the industrial North and East, the urban structure of mid-America is not so large, cumbersome and heavily restrained by historic forms. In this evolving mid-continent, new and dramatic choices are open in the planning of the functional working and living environment.

PRINCIPAL VARIABLES

In choosing this functional approach to the urban center, we will see that the individual communities are the basic elements in the fabric of settlement of a region. Thus, we must come to understand the location, mapping, interpretation, and projection of distributions of urban population, employment, social, political and economic characteristics, and physical facilities, which together constitute the urban pattern. These variables are indicative of the functional relationships within and among communities. Form follows function is a maxim in architecture which is also applicable in the art and science of community development. Urban studies undertaken in this vein are primarily concerned with area variations within and among communities, including the relationships between urban and non-urban areas and the forces of development and change that are shaping the urban landscape. Urban studies

are not only concerned with the present concept of the community and its historic development but also, insofar as it can be dealt with, the future community. This may, in part, be subject to some degree of control and direction depending upon the intelligent use of present knowledge concerning the forces which underlie urban growth and decline.

Although much of the research in urban studies has concentrated on the functions and changes of individual communities or classes of communities, increasingly it has dealt with the measurement, interpretation, and understanding of the mutual interdependence between communities and their surrounding regions, as well as among communities, and with the complex of interrelationships among the functional areas that characterize urban internal structure. This concept of mutual interdependence between a community (or urban center) and its surrounding supporting area is highly important, since it attempts to explain the significance of the urban center itself.[4] Certain urban centers, because of their functional nature are regional and necessarily exert or have "spheres of influence" over surrounding areas and other urban centers whether these centers are located within the adjacent surrounding area or not. This leads to the basic classification of communities by "dominance" based on function complexity and diversity.

These interelationships, both internal and external, are basically expressed in two forms, one static and one dynamic:

STATIC AND DYNAMIC CONCEPTIONS OF URBAN CENTERS

1. Static: Expressed as land uses and structures, each of which occupies area and which together constitute the urban landscape.

2. Dynamic: Expressed as flows of goods and services and population along routes between and within areas or zones of origin and destination, constituting part of what is called "spatial interaction."

Thus in a spatial sense, the field of urban studies is concerned with the more-or-less static aspects of the distributional pattern with area variations in land use, and with the location of population densities and particular types of activities. It is also concerned with the dynamic aspects as represented by movement from place to place of people, services and products. Without such movement or spatial interaction, area specialization - and hence the idea of communities as we know them would be impossible. The functional view of the community attempts to establish and measure the importance of linkages between and among activities and areas in and between communities. Many measures used to describe the urban area--population, functions, economic base, and physical characteristics of communities--depend on the application of uniform standards for urban definition. How these are applied determines the nature of the resulting urban area.

PURPOSE OF THE URBAN CENTER

The primary reason for analyzing the urban center from the basis of its functional nature is that, to a large extent, the functional elements of a community are within the control of man. Therefore, by understanding the functional nature great opportunity is afforded the citizens of urban communities to shape, by proper planning procedure, future urban growth and development into such forms and patterns as will further the attainment of a better urban way of life. The guidance of population density in communities through control of land use and the provision of ordinances and regulations by which the character, density, and distribution of housing and residential areas can be made better to serve the needs of the population; the securing of better relationships spatially and functionally among the various forms of land use in communities; the reduction of the friction of competition among alternative land uses by proper allocation of land through zoning and other forms of democratic public action; the reduction of the time - and energy - wasting journeys between home and work; the securing of a better physical urban environment through guidance of community growth into form more acceptable than the congestion, obsolescence and disorder which characterize most urban centers today.

To describe and understand urban functionality, it is necessary to view the urban community as a set of interrelated

special activities or services taking place at the same time, of which those related to economic activity, at the present time, play a leading role.[5] People gather in mutual proximity in urban areas in order to carry on certain activities and satisfy certain needs which cannot be performed or satisfied without such proximity. These activities and needs may be social, political, religious, or otherwise not directly related to the process of making a living. Most cities, however, are primarily in existence, and grow because in cities the opportunity for making a living - employment - is greater in number and variety than in a non-urban situation.

In other words, most cities depend primarily upon their economic base as a reason for existence.

ECONOMIC CHARACTERISTICS OF CENTERS: EMPLOYMENT AND TYPES OF ACTIVITY

The economic base of an urban community is concerned essentially with industry groupings and their interaction and interelationships.[6] It is also concerned with the numbers of people employed and in what categories of industry they are employed. These categories of employment are at the heart of any economic base analysis of an urban community. They are usually found in the form of the following nine industrial groups:[7]

1. Agriculture
2. Mining

3. Construction
4. Manufacturing
5. Transportation and Public Utilities
6. Trade (Wholesale and Retail)
7. Finance
8. Services
9. Government

These nine groupings are constructed from the Industry Groupings data found in the U. S. Census of Population where they are further refined. The importance or revalance of these nine industry groupings will be outlined in the following discussion of the Basic-Non-Basic Concept of urban economic functions. However, it should be stated that not all of these industrial groupings are found in all communities, nor are they equally dominant in each and every community.

THE BASIC-NON-BASIC CONCEPT OF THE URBAN ECONOMIC BASE

Probably the most important premise relating to the urban economic base is that urban centers exist because within them are performed certain operations - industrial and commercial primarily - which result in the production, transfer, and distribution of goods and services for the population of areas in and outside the urban center itself. Urban centers, in other words, have a focal or polar character which sets them aside, economically as well as physically, from the areas outside. Determination of the extent to which

each of the urban functions serves the population outside the center, in contrast to the production of goods and services for consumption inside the center, is an important part of most studies of the urban economic base.

Before beginning the discussion of this concept of the basic - non-basic economic base as a model to the understanding of an urban center's economic system, we must qualify its use. It must be stated that some of the important distinctions between basic and non-basic industry lose their significance when:

(a) Viewed in terms of communities of metropolitan size;

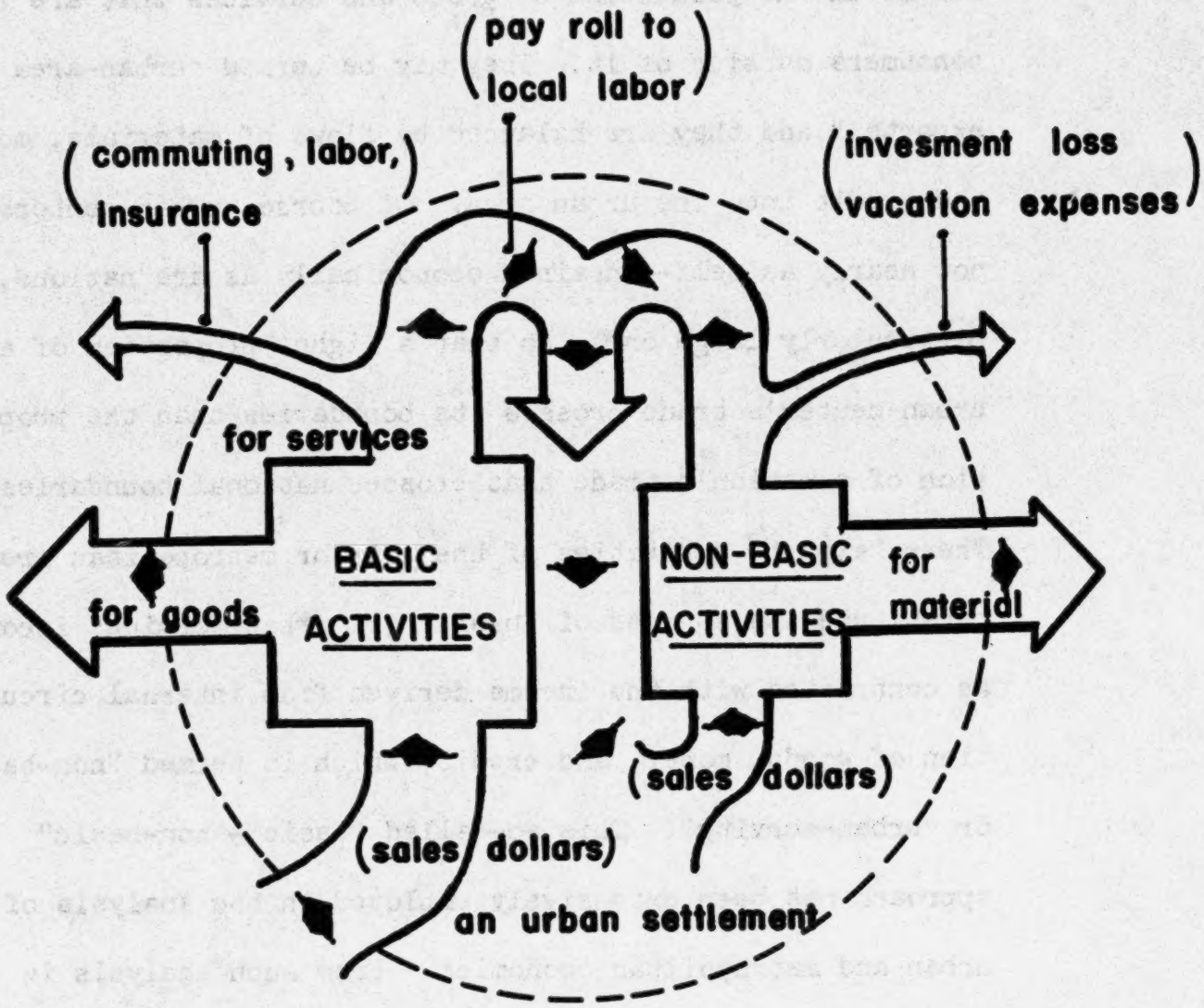
(b) the extent to which activities within and without the area are integrated.

As size of the urban center increases, the diversity of types of establishments within it also increases. With increased diversity, there is an increase in capacity of the urban center to provide for its multitude of diverse needs from establishments within its own area. It should be noted that the basic - non-basic ratio is a function of the size of the area for which the ratio is computed, and that therefore comparative studies of the ratio for areas of variable size are invalid.

An urban center's income may be divided into two major components. One component consists of the income that circulates entirely within the urban area and is analogous to the portion of a nation's income that circulates within the

FIGURE 19

BASIC AND NON-BASIC ACTIVITIES IN ECONOMIC LIFE



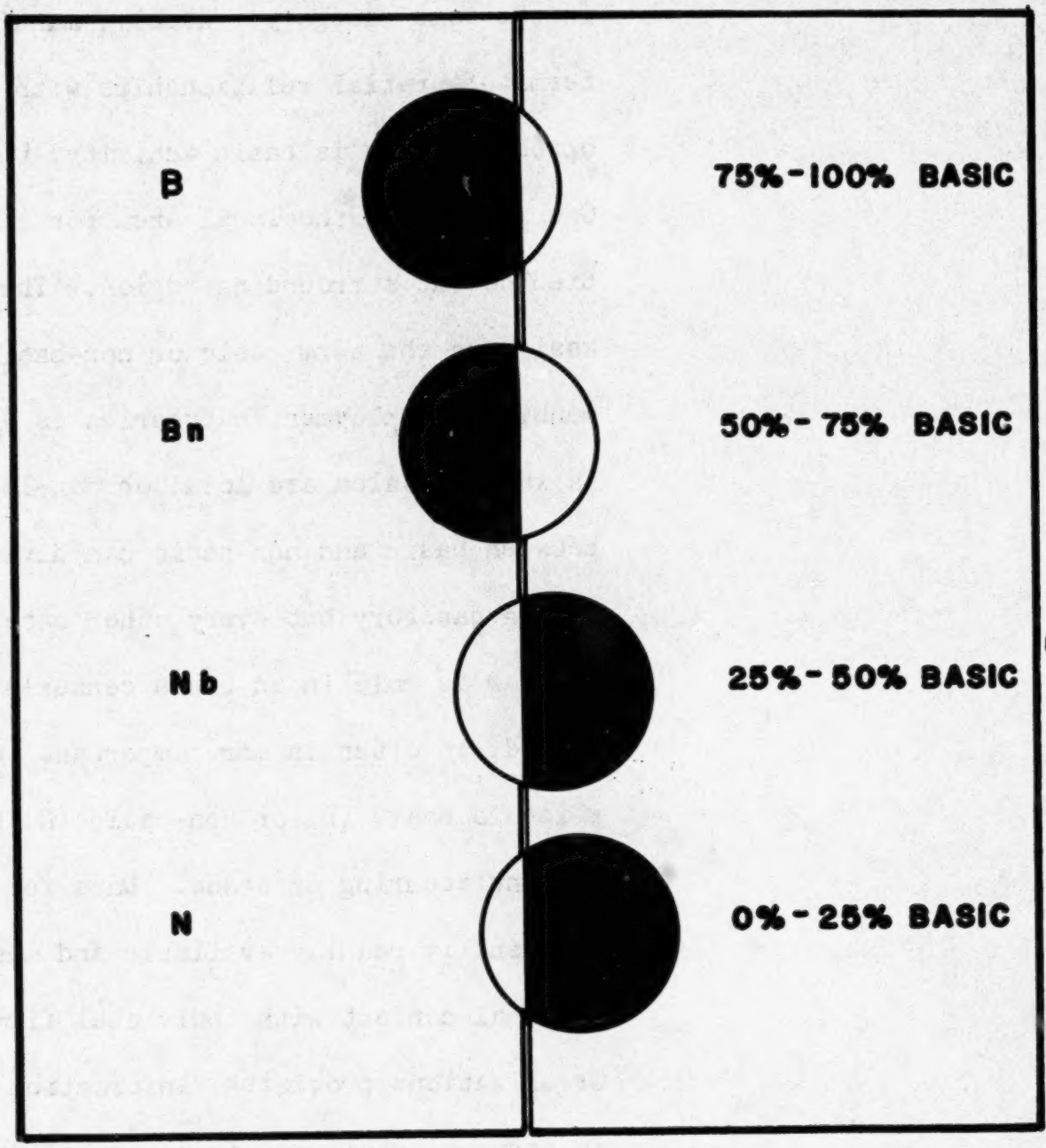
(FOR FLOW OF GOODS REVERSE ARROWS.)

national boundaries. Just as a nation produces goods for export which are roughly balanced by payment coming into it, so do varying proportions of an urban area's total activity result in the production of goods and services that are for consumers outside of it. They may be termed "urban-area exports," and they are balanced by flows of materials, money, and credit into the urban area. Of course, urban centers are not nearly as self-contained economically as are nations, particularly large ones, so that a higher proportion of an urban center's trade crosses its boundaries than the proportion of a nation's trade that crosses national boundaries. These "export" activities of the city or metropolitan area constitute its sources of "basic" or "urban-forming" income, as contrasted with the income derived from internal circulation of goods, money, and credit, which is termed "non-basic" or "urban-serving". This so-called "basic - non-basic" approach has been extensively employed in the analysis of urban and metropolitan economics. From such analysis is derived the "basic - non-basic" (B/N) ratio, the ratio of all basic to all non-basic employment in the area.[8]

It is difficult to <u>strictly</u> classify any one of the nine categories as either basic or non-basic because they have the ability to be either one or the other depending on circumstances and the size of the urban center. Perhaps an illustration can best clarify this point. A business which makes

all its sales to the local market is distinctly different from one which makes all its sales to the outside market. Both businesses might be factories. The traditional method of classifying economic activities would consider them to be in the same category: namely, manufacturing. And yet, in terms of spatial relationships with market areas they are opposites; one is basic activity, the other is non-basic. One is tied to the local area for its sales; the other is tied to the surrounding region. Therefore, the criteria for assigning the term basic or non-basic to one of the aforementioned employment categories is "source of sales", that is whether sales are local or non-local. Such a distinction between basic and non-basic can divide not only the manufacturing category but every other category as well. Indeed, insofar as role in an urban center's economic life is concerned, it often is more important to know whether an enterprise is basic (B) or non-basic (N) than to know whether it is manufacturing or trade. Data for such classification are not usually readily available and must be procured through personal contact with individual firms and institutions. Organizations providing information can then be classified in terms of basic or non-basic effort. Regardless of the source of economic activity, be it a manufacturing plant, clothing store, or a state university, if 75 percent or more of its services are in response to a demand from the non-local

FIGURE 20


DEGREE OF DEPENDENCE UPON THE BASIC MARKET
DEGREE OF DEPENDENCE UPON THE NONBASIC MARKET
B
75%-100% BASIC
Bn
50%-75% BASIC
Nb
25%-50% BASIC
N
0%-25% BASIC

market region it is in category B (pure basic). Category Bn (semi-basic) includes activities exporting 50-75 percent of the product; these are thus more dependent on local consumption than basic. The two remaining categories depend for most of their support upon the local market, category N to a greater degree than category Nb.[8]

Using the basic - non-basic concept and resulting ratio, an urban center's basic economy can be ascertained.

(a) The community's total employment can be ascertained in terms of number and percentages employed in basic and non-basic industries along with the ratio of basic to non-basic employees.

(b) A community's total cost of raw materials and its volume of sales in basic and non-basic industries can be determined, and therefore, the flow of money in and out of a community.

(c) Categories of basic and non-basic industries can be determined.

(d) The regional force exerted by the community as a distribution center for "goods and services", can be established.

(e) The sources of a community's wealth producing industries can be ascertained.

(f) A comparison of these date against state and national economic data can help to determine the economic strength of the community.

This approach to the analysis of an urban center's economic base is particularly applicable to the rural-urban centers of Kansas, since the economies of these areas are not as sophisticated as the larger urban centers in the state

where the process of identification and classification becomes much more complicated. In these smaller centers, economic change is more readily seen and felt than in the larger ones, consequently, the problems are more immediate. There is a saying that, "local economic recessions do not occur in small towns with layoffs in the non-basic (or urban serving) industries, but rather in the basic (urban forming) industries in the local community.[11] This is why the preservation, stabilization and growth in the basic industries of a community are so important to its economic well-being.

Thus it is demonstrated if, due to the natural play of economic forces, certain basic industries are not replaced or substituted for, the population of a community will be left without adequate sources of employment. People will therefore have to look <u>elsewhere</u> for employment opportunities. Hence, forces of decline are set in motion which, once activated within a community, are difficult to reverse.

The foregoing discussion of the basic - non-basic description of an urban center's economic base is standard economic theory. It is used as an aid to demonstrate the necessity of having certain <u>basic support industries</u> in a community for the preservation of its economic health. It does not, however, express or define those conditions which have caused drastic changes in the economies of small urban centers - changes

which have left them somewhat at a disadvantage in today's highly competetive economy. From a viewpoint of many economists, particularly Thompson in A Preface to Urban Economics, the future of small urban centers from an economic standpoint is bleak if they continue on their present course.

DIFFICULTIES FACED BY THE SMALL URBAN CENTER

In discussing the disadvantages of the remote small urban center in today's fierce competition for industry, Thompson states that today's highly automated factories and offices cannot individually add substantially to a community's economic base because they assemble labor forces which are too small, due to their automated operations, and that it requires the clustering of many of these automated industries to provide a community with an economic advantage. With reference to certain urban amenities, which he calls "necessities", such as museums, technical libraries, and community colleges, he states, that they cross the threshold of economic operation in areas of relatively high population concentrations.[9] Furthermore, he states, and I believe this to be a most significant consideration for any community which is attempting to undertake industrial development, that our present industries, by necessity must group together into mutually supporting complexes because of the importance of their input-output linkages, labor force demands and technological interdependence. It is becoming increasingly impossible for linked individual firms to either enter or leave their present locations on their own initiative. This is why it is so difficult for communities to attract industries that cannot easily establish these required linkages. It seems that in the future, firms by

virtue of this will be larger, more tightly clustered and concentrated in fewer manufacturing centers.[9]

Jarvin Emerson, the chief economist of the Office of Economic Analysis of the State of Kansas emphasizes in his writings the importance of these industrial linkages and export-base activities. He states,

> "A simple relationship suggests an analytically helpful differentiation of types of state economic activity for projection purposes. Within the state of Kansas there are certain specialized economic activities. Substantially more output is produced by these firms than is desired for consumption within the state. The remaining output is exported, providing dollars to Kansans for purchase of goods produced outside the state. This export activity is referred to as "basic" activity as contrasted with "nonbasic" activity which does not give rise to exports, and is largely dependent on the level of export activity. The focus of this report (Short Run Economic Trends and Forecasts for Kansas) will then be on "basic" activity since it is this activity which is the determinant of the total well-being of the state's economy. <u>In other words, trades and services are considered to be determined by the level of economic activity rather than determinants of it</u>. Consequently, their position in this report is regulated to a minor one."[1]

A reading of the Third Annual Economic Report of the Governor, State of Kansas, January 1966, clearly and accurately outlines the operation of a state's or region's economic processes. In the following paragraphs I will attempt to summarize some of the more pertinent information contained in this very excellent report.

INTERNAL LINKAGES: DEVELOPMENT OF COMPLEX AGGLOMERATIONS

It attempts to explain the processes which stimulates a state's or national subregion's economic growth by stressing the importance of, and the difference between regional internal

and external economic linkages, and that the complexity of an area's economy is directly related to its economic growth. With respect to the internal development of a regional economy the process of economic specialization will naturally evolve in some manner which is recognizable and closely related to its structure. There have been numerous research studies which have shown that within a given area there are "stages of economic growth" or "an evolving structure of development."

It has been noted that in the incubation stage of the developing economy of a region there tends to be specialization in a product (such as wheat) or a service (such as transportation) part of which is exported and marketed outside of the area. When the internal processes of specialization become operational, the next stage in the economic development process will most likely, for certain advantageous reasons, be linked to the first. In other words, the processors of certain types of products will naturally be attracted to the initial resource base to gain maximum advantage from the exploitation of the base's raw materials. During the initial stages of production, location tends to be oriented to raw material sites chiefly because these production processes are concerned with bulk reduction and lower transportation cost.

The next step in the development chain, if a region continues to grow, will come from new enterprises, which will become suppliers of goods and services for the initial processors or will utilize the output of the primary processors in their productive capacity. Thus, necessary linkages are conveniently established with respect to a firm's input or supply requirements and/or its output or markets.

As a consequence of this type of development is the unique characteristic that commercial and industrial firms tend to develop in "families" which are structurally related. Thus we find that while the existing economic structure of an economy encourages the growth of certain industries, it can, and does, virtually block the entrance and establishment of "so-callled" non-relatable industries. It presently appears that the evolving nature of specialization and economic growth is both nurtured and constrained by the particular characteristics of a region's economic structure.

As we view the process of regional economic growth, we should be mindful of the possibility that growth might sometimes,

> "arrive at a plateau for any region at a level below 'total development'."

However, beyond the possibility of the natural occurrence of a plateauing effect", the next major stage in development will be the continued clustering or grouping together of a hierarchy of interrelated complexes of economic activity, which by virtue of the concentration of these economic activities, will form a more diversified economic base for a particular state or region. This phase of economic development is a result of, and contributes to, the high concentration of economic activity in large urban and metropolitan centers within a state or region. A brief summation of the foregoing discussion concerning a state's or region's economic development yields the following major sequence of events:[10]

1. With an expansion of raw material processing and the formulation of satellite firms, a cumulative process may be initiated.

2. Locational phenomenon is associated with the mutual attraction of industry. In other words, certain types of existing firms will attract new firms.

3. Industries provide markets for other industries, or conversely, serve as suppliers for other industries.

4. Because of these linkages, transportation costs tend to be minimized by adjacent locations.

5. The resulting concentration of economic activity is labeled "agglomeration".

It is important to understand the geographic concentration because it helps to explain the economic structuring of the urban center. Because of certain types of economic activity there are

associated with it particular economies of scale which transform this grouping of economic activities into what is commonly termed a "growth pole". It has been observed that often the internal scale of economies of an individual firm requires, due to technological reasons, that a large scale plant is necessary to produce efficiently. In the case of a market-oriented firm, such a condition requires that it be readily accessible to a metropolitan area with a large and immediate market. It is also true that external economies are dependent upon the concentration of firms in a geographic area. It is important to know that groups of specialized service industries will develop to serve the needs of a growing number of firms in a particular type of basic industry. These service types of industry help to reduce operating costs for the basic firms and encourage the location of other firms to take advantage of these very important external economies. The following are some of the significant advantages which tend to accrue to both related and unrelated firms in an agglomeration because of external economies:[10]

1. Large pools of specialized labor.
2. Favorable transportation rates.
3. Availability and maintenance of business machines.
4. Highly developed utility, communication, and transportation services.
5. Governmental services.

The concentration of major economic activities have been appropriately termed "growth poles," because they cluster together into a center, or centers, within a broad region into which the bulk of an entire area's economic activity tends to gravitate. Certainly the present locational aspect of our major economic agglomerations would bear this contention out.

EXTERNAL LINKAGES:

The position of a highly integrated national economy, such as we have in the United States, has relegated the economic functioning of regions to the role of specialist. This comes about by virtue of the fact that it is not possible for these regions to produce or provide all the goods and services they require within the limits of their individual borders. Thus it becomes necessary to import those products from some other part of the nation or the world. In effect, establishing a linkage with the outside world because of the necessity of acquiring those products which are not produced within the region. Conversely, there also exist linkages with markets outside the region for area's producers whose products are primarily sold in markets outside the territorial limits of the region. These "exports" produce an inflow of revenue into a region which is partly used to acquire those commodities which are not produced within the region or can be used to expand the

capacity the regions economy. Thus introducing into the regional economy complex the necessity of maintaining a "favorable balance of trade". Therefore, the establishment and maintenance of external linkages is a vital importance because they play a crucial role in the performance of a region's economy.

It should be noted that the importance of external linkages is, in a relative sense, inversely proportional to the size of the internal economy of a region. In other words, the larger and more diverse the activities of the internal economy, the more capable it is of providing activities to serve local markets thereby significantly reducing the dependence of the economy on imported commodities and external markets. This situation is characteristic of the regional economies of densly settled urban agglomeration such as one finds in the eastern United States. With respect to the economy of the State of Kansas, the establishment and maintenance of external linkages is of vital importance to the stability of our economic well being.

The Governor's Economic Report reinforces the importances of the principles underlying the previously described concept of basic - non-basic relationships in an urban center's economic base when it discusses the importance of a region's

export-base. The report simply classified a region's economic activity into two distinct categories:[10]

1. That which serves markets outside the region
2. That which serves markets within the region

This classification is made to signify what is thought to be a casual relationship. The export markets outside the region are considered to be the energizing force which stimulates or activates economic growth within the region. It is felt by many that the level of activity in the remainder of the region's economy is a reflection of the performance of its export-base. It has been clearly demonstrated many times that as the levels of income rise in the export sector, there has been a corresponding increase in sales volume from retail and service establishments. It is also apparent that a decline in export-revenue will generate a depression of sales volume in businesses serving the region. Thus demonstrating the dependent relationship which exists between the level of activities in the export sector and that which takes place in activities serving the local markets. It should be noted that investment capital tends to flow into a region, in most cases, specifically to expand or develop export industries. Since additional capital promotes growth in both export activity and local activity, major emphasis has been placed on the performance of a region's export industries because of the "multiplier effect" these industries have with respect to the expansion of a region's economic activity.

In the ideas put forth by Professor Thompson, concerning the economic activity of small urban centers, he implicitly recognizes the uncertainty and present day economic instability of these centers. This situation tends to be mirrored by rising labor cost in these centers. Characteristically shown by:[9]

1. Compensatory higher wage rates for high-grade labor or
2. The need to depend on lower-grade labor and other competitive disadvantages, such as:
    a. alternating periods of capital shortages (congestion)
    b. and idle capital (heavy overhead costs) which accompanies heavy fluctuation in economic activity.

He continues to emphasize the consequences of the plight of the smaller urban center's declining economic activity by stating that when the following are added together;[9]

1. The precariousness of specialization in discretionary goods (goods which are above those considered the "basic necessities") in the affluent society.
2. The difficulty of supporting a community on the base of a "worker-less" plant.
3. The trend toward more integrated industrial complexes (importance of internal and external linkages).

that in his opinion, it is difficult to be optimistic concerning the economic outlook or prospects for small towns or cities.

ECONOMIC CONFEDERATION

He does not abandon the small urban center to complete oblivion at this point. Rather, he proposes a possibly unique

solution to their changing economic situation which, I believe, is meritorious and worthy of consideration. Instead of the destructive competition between small urban centers, of which we are all too familiar, he proposes a confederation of efforts on the part of these independent communities.[9] In essence he explains that the isolated or remote, small, one-industry town is chronologically out-of place in the highly competitive and diverse nature of today's urban economy--even in the case of the economically successful small urban center. He points out that in a country such as ours, which is in an advanced stage of economic development, it is highly vulnerable...perhaps even obsolete.

The exception to this may exist if a number of small and medium-size urban centers could be interconnected by a system of good highways or other transportational facilities to form a loose network of interrelated labor markets. With today's widespread ownership and use of automobiles in combination with an efficient public transportational system, on expressways allowing for average speeds of fifty miles per hour between place of residence and work, an integrated local labor market could be formed. It is also thought possible that if within this area a half-dozen towns exist, with two-three basic industries plus perhaps a dozen other smaller one-or-two industry towns, the local labor market could be

extended. Thus building upon this reasonably broad base of a couple of dozen individual area industries, a federated local economy could come into existence which might possibly achieve the necessary threshold size to activate the all-important urban growth pattern required to preserve the collective existence of the smaller urban centers within a given region.

It is necessary that within this complex of small towns and medium-size urban centers, a coordinated employment service should be developed. The importance of this being that it would then be possible for the local labor market to achieve the scale necessary to assemble the required counseling, teaching talent and associated training facilities to allow it to become capable of growth and diversity to meet the demands in our rapidly changing economy. A minimum requirement concerning an educational base for this proposed labor force would be the establishment of a very good vocational educational institution. Another important consideration in a plan of this type is area industrial development be coordinated to the point of developing common research and industrial park facilities at centralized locations. There is some encouragement to be derived from a solution such as this. In the State of North Carolina, there is some evidence to the effect that a pattern such as proposed by

Thompson is starting to emerge. Also in the State of Michigan a confederation of this nature is experimentally underway in certain areas of the state.

It should be understood that the long-range growth of smaller urban areas can only be assured if one all-important fact is realized by those interested in initiating this type of area development. Today's young adults are urban oriented and not easily satisfied with present rural or small town living. Therefore, it is essential that this loose confederation of towns and small urban centers be able to support a wide range of consumer goods and services in conjunction with certain other urban amenities that the current generation seems to find necessary for individual fulfillment. The smaller urban centers in such a system would be, relatively speaking, comparable to today's dormitory suburbs found in our large metropolitan areas. Their individual central business districts would serve as local and regional shopping centers, while the business district of the largest, or most centrally located urban center in the network would serve as the so-called "downtown" for the complete system of large and small urban centers. The system's integrated highway network would allow for travel times that would not be materially different from those found in a large metropolitan area of the nation. There also would be a lower volume of traffic and less congestion than is

normally encountered in metropolitan areas.

It is just possible that the fate of whole regions within the United States, such as Appalachia and certain areas within the Great Plains Region, may "hang in the balance" depending on the collective acceptance of a system that would allow for an aggregation or continuous network of smaller urban centers that can imitate the functionally geographic form of a metropolitan area. While the difficulties of implementing such a confederation are not to be overlooked, the alternative to inaction is, indeed, pessimistic. The inevitable results of a course of inaction therefore call for bold and imaginative measures to be taken. The strategic pooling and comprehensive use of both public and private capital investment in a region could bring about significant structural changes within that region. While it is virtually impossible for the smaller urban centers to economically maintain and expand their physical plants individually, a confederated approach to physical development would allow for strategically located and developed physical facilities to serve the needs of all. It would apply the rational principles of comprehensive regional planning to serve its own best ends. Instead of unrelated, self-serving, and in the process self-defeating attempts at development, the confederated regional development

approach attempts to provide a "rationale" for development so that the location of educational and recreational facilities, medical centers, industrial parks, airports and the sundry other physical necessities required to accomodate present-day urban life.

It is thought that as these federated centers grow and prosper, the spaces in between which physically separate them from each other will eventually begin to be populated, and thus characteristically move closer in form to a larger, more self-sustaining urban agglomeration. It is necessary because of this filling in that proper land planning and zoning be put into practice to preserve open space patterns which, if undertaken properly, could surpass any of those found in most of today's large urban concentrations.

Probably the largest single obstacle to achieving a federation urban area is the political implication of such a solution. The political opposition would be considerable and should not be taken lightly. However, political units and subdivisions are creations of, and subject to state control. It is difficult to predict how a state would act, but sooner or later they will have to give a great deal of serious thought to the multitude of vexing problems facing the small urban centers of America. The alternative to inaction on the part

of the states seems bleak and a frightening waste of our material and spiritual resources.

This concept of federated urban economies, as a means, to preserve and stimulate the regional economy is, in the opinion of many, a thoughtful new approach worthy of consideration by those communities seeking practical solutions to the complex problems created by diminishing economic activity within their individual urban areas.

FIGURE 1 TOTAL EMPLOYMENT IN KANSAS (1947 - 1965)

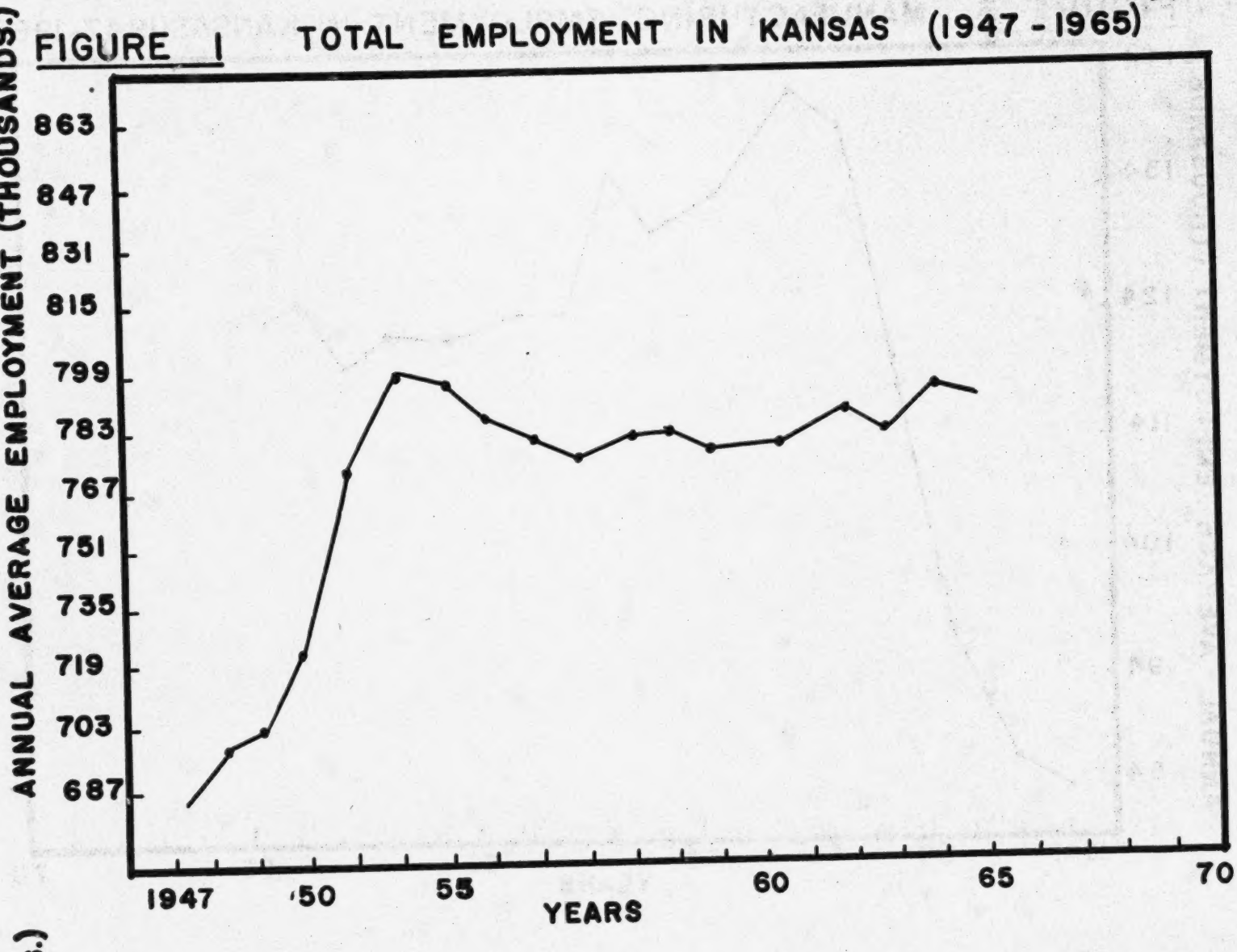


FIGURE 2 AGRICULTURAL EMPLOYMENT IN KANSAS(1947-1965)

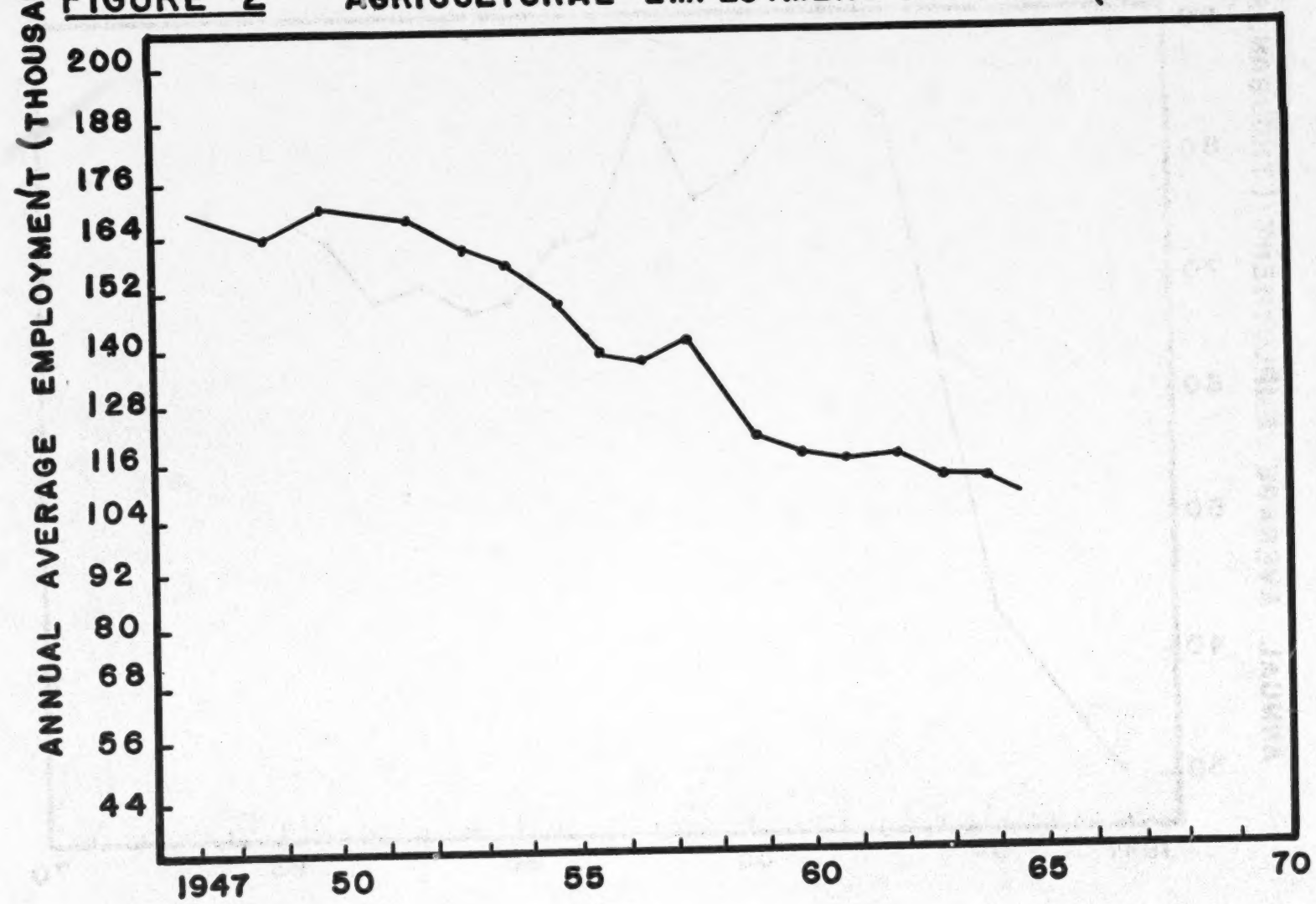


FIGURE 3 MANUFACTURING EMPLOYMENT IN KANSAS(1947-1965)

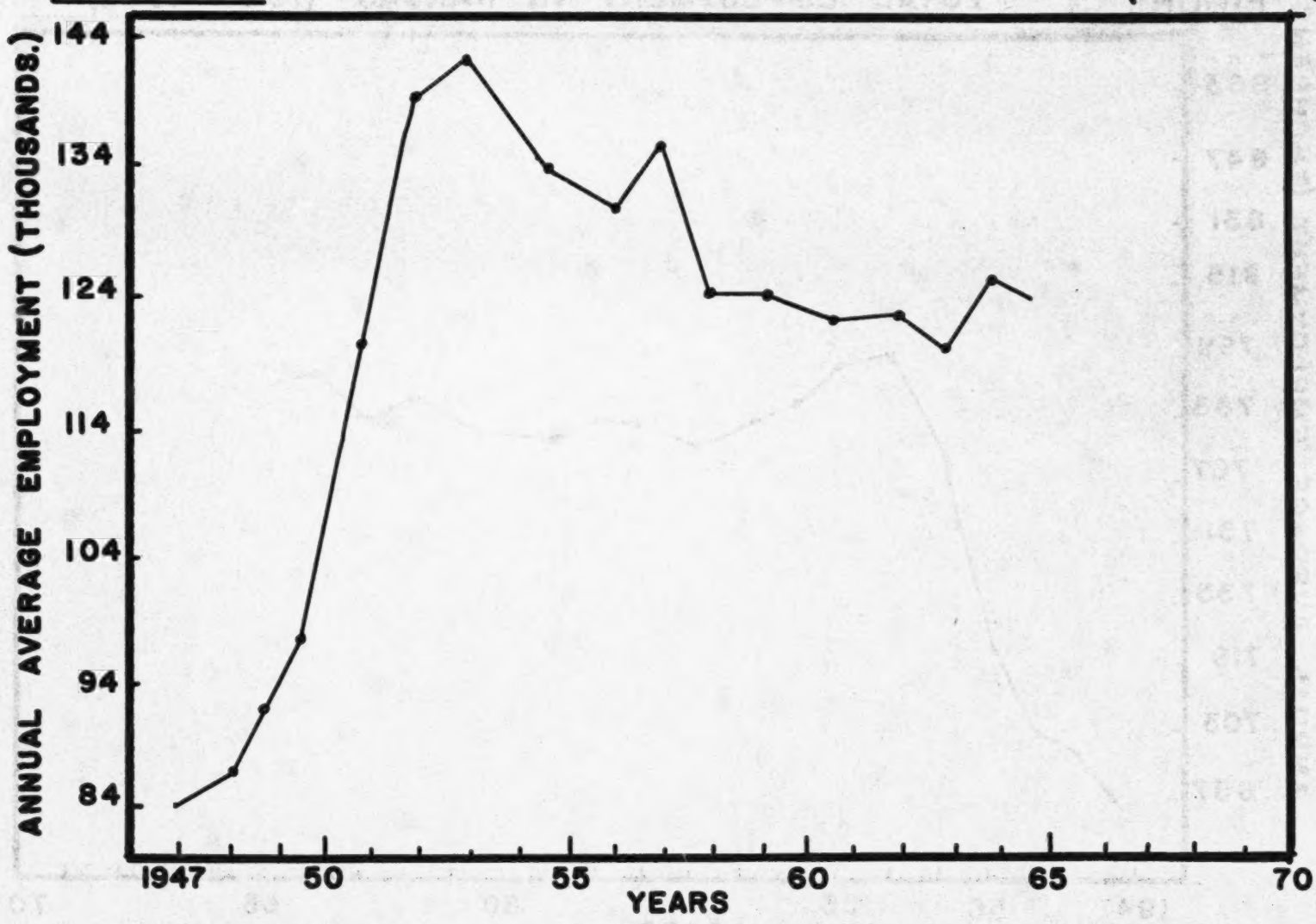


FIGURE 4 DURABLE GOODS EMPLOYMENT IN KANSAS(1947-1965)

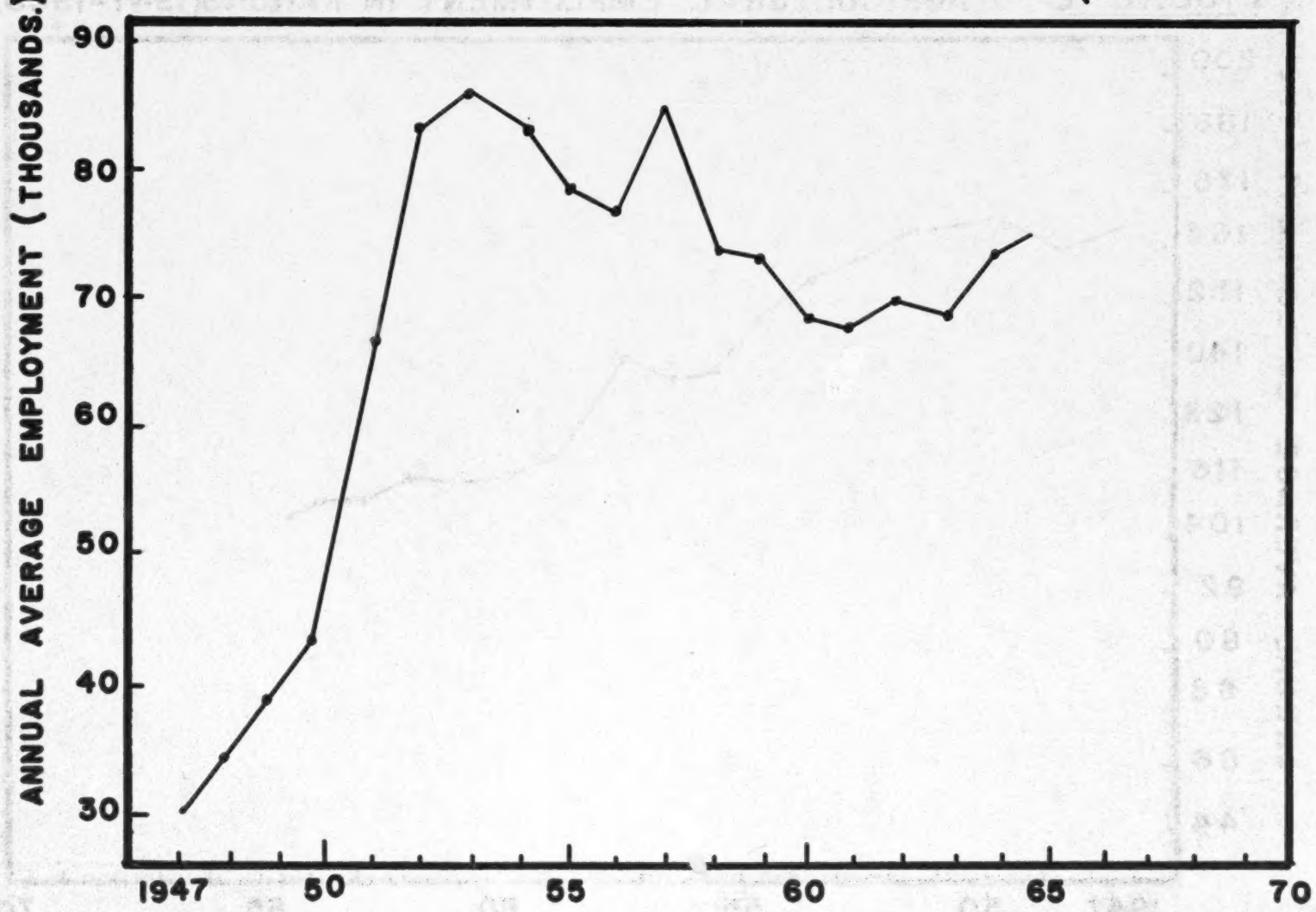


FIGURE 5 NONDURABLE GOODS EMPLOYMENT IN KANSAS (1947-1965)

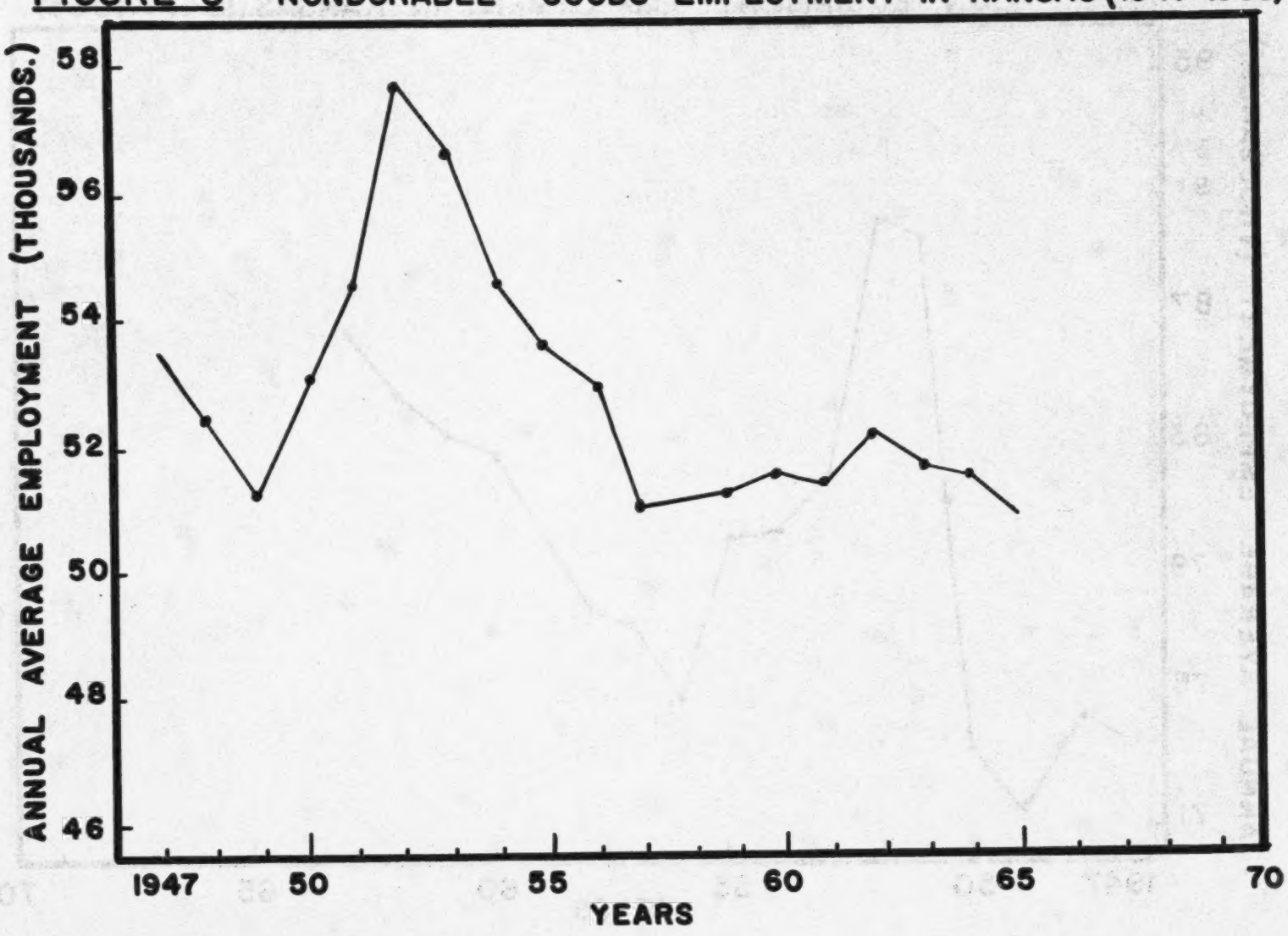


FIGURE 6 TRANSPORTATION EQUIPMENT EMPLOYMENT IN KANSAS

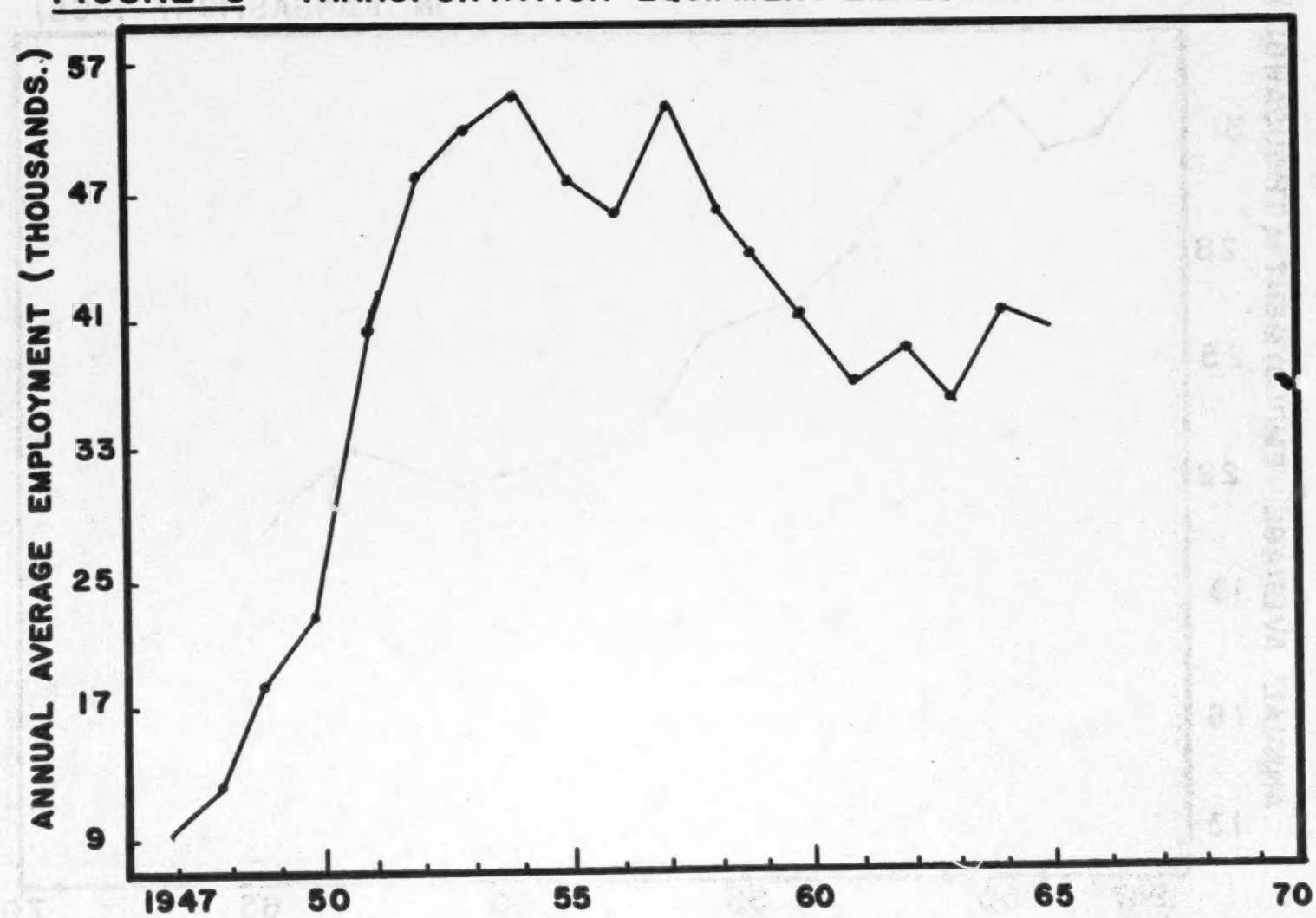


FIGURE 7 TOTAL MANUFACTURING EMPLOYMENT LESS TRANSPORTATION EQUIPMENT EMPLOYMENT IN KANSAS(1947 - 1965)

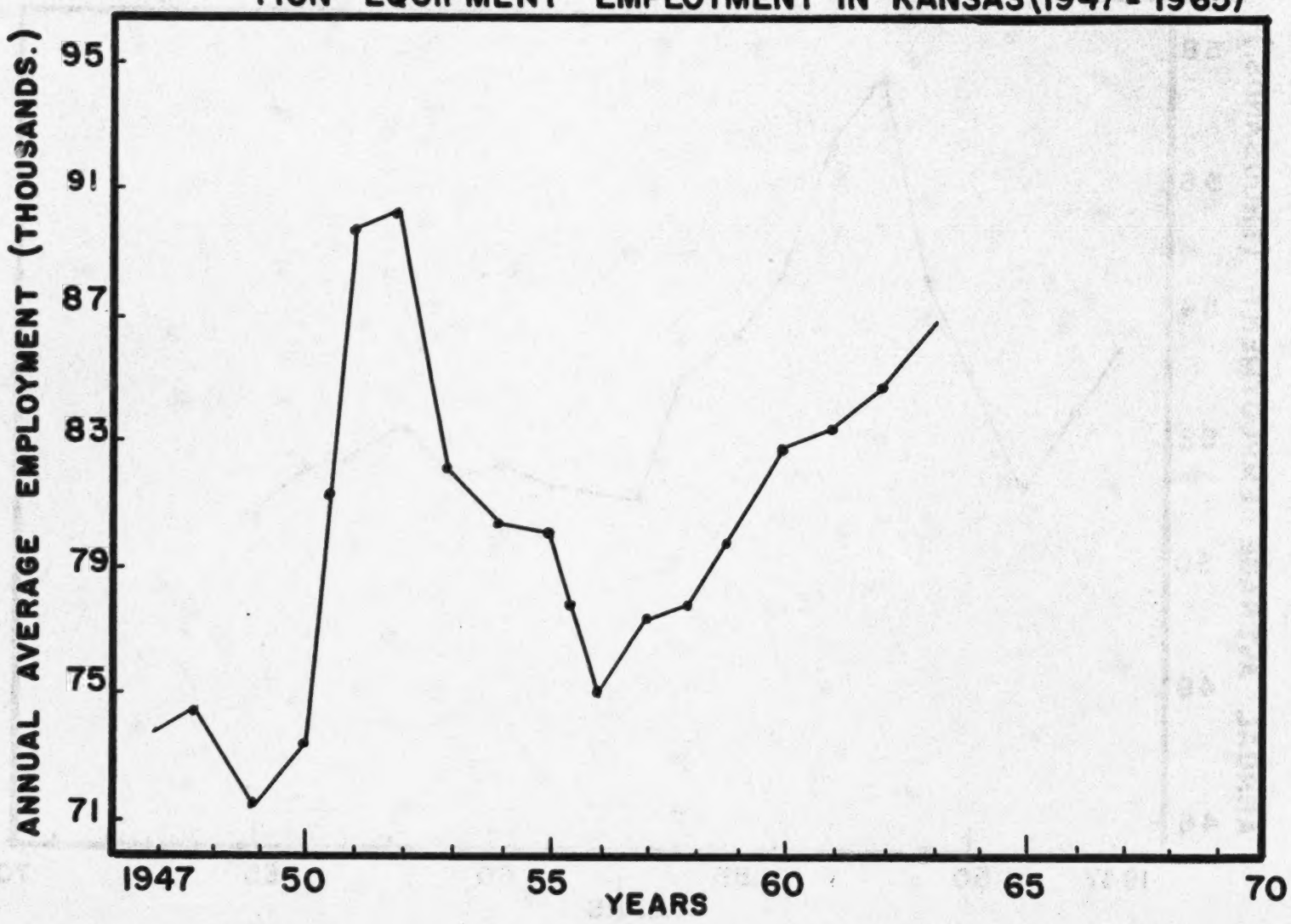


FIGURE 8 FOOD AND KINDRED PRODUCTS EMPLOYMENT IN KANSAS(1947 - 1965)

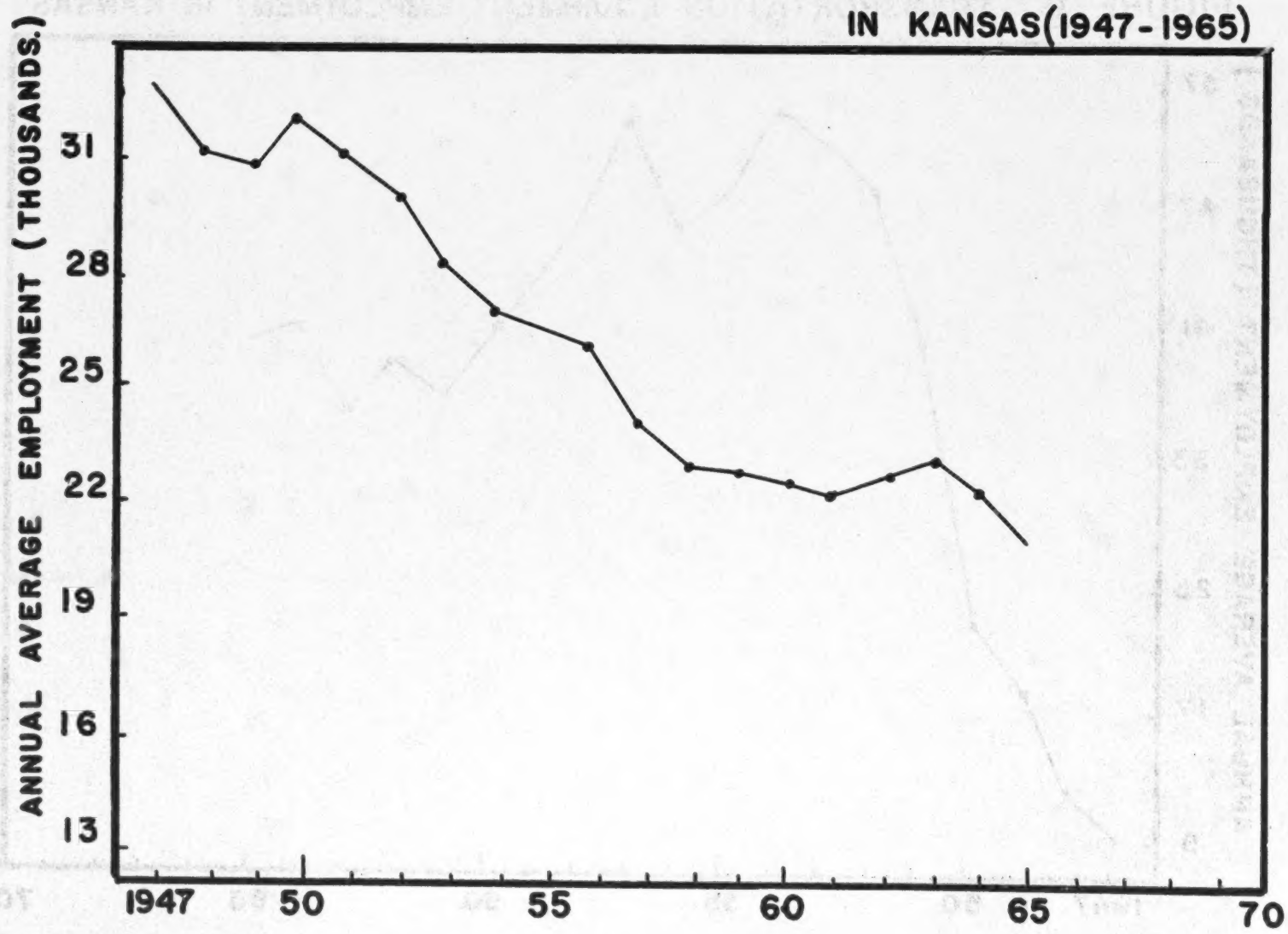


FIGURE 9 MINING EMPLOYMENT IN KANSAS (1947 - 1965)

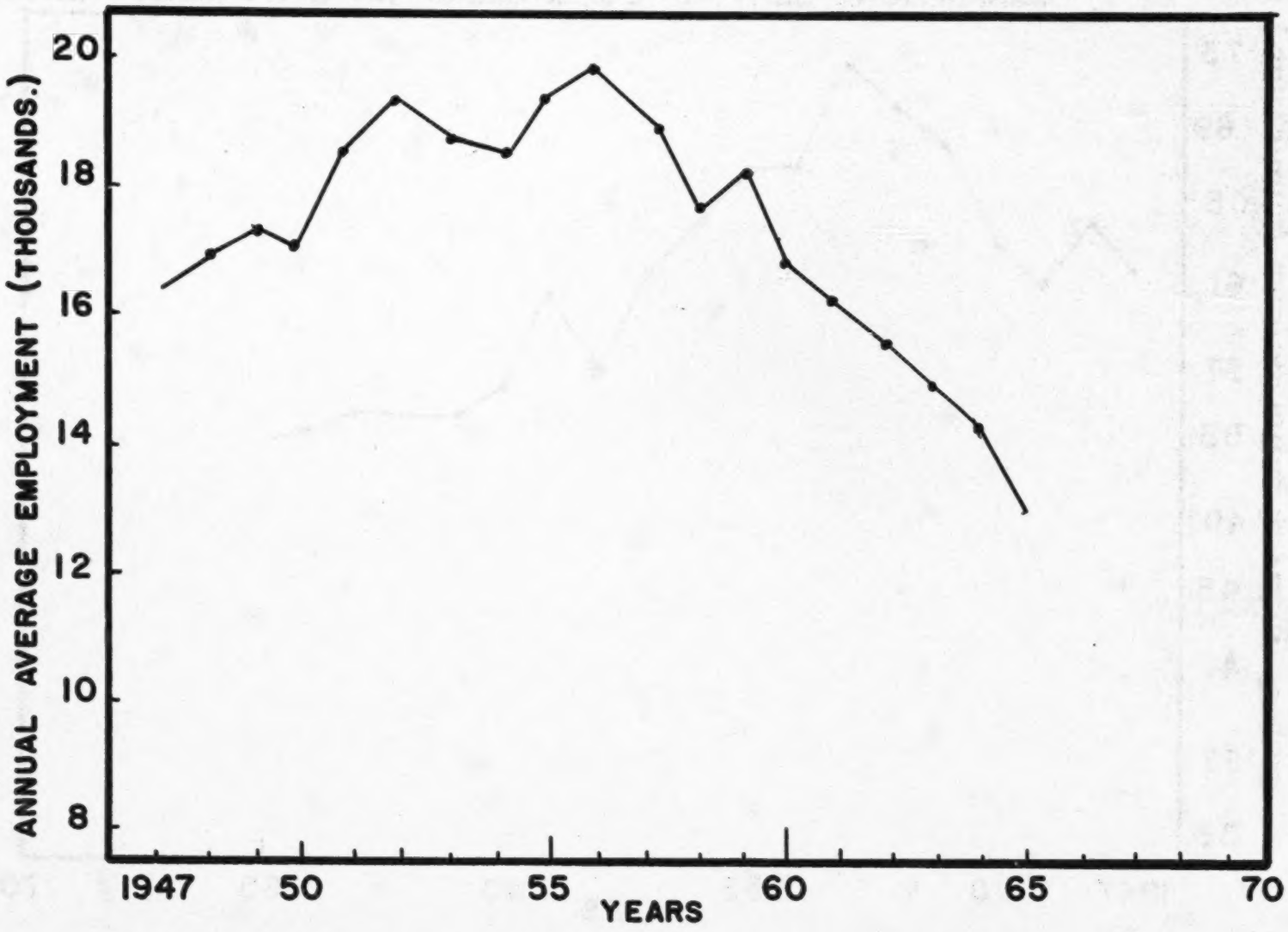


FIGURE 10 CONSTRUCTION EMPLOYMENT IN KANSAS (1947 - 1965)

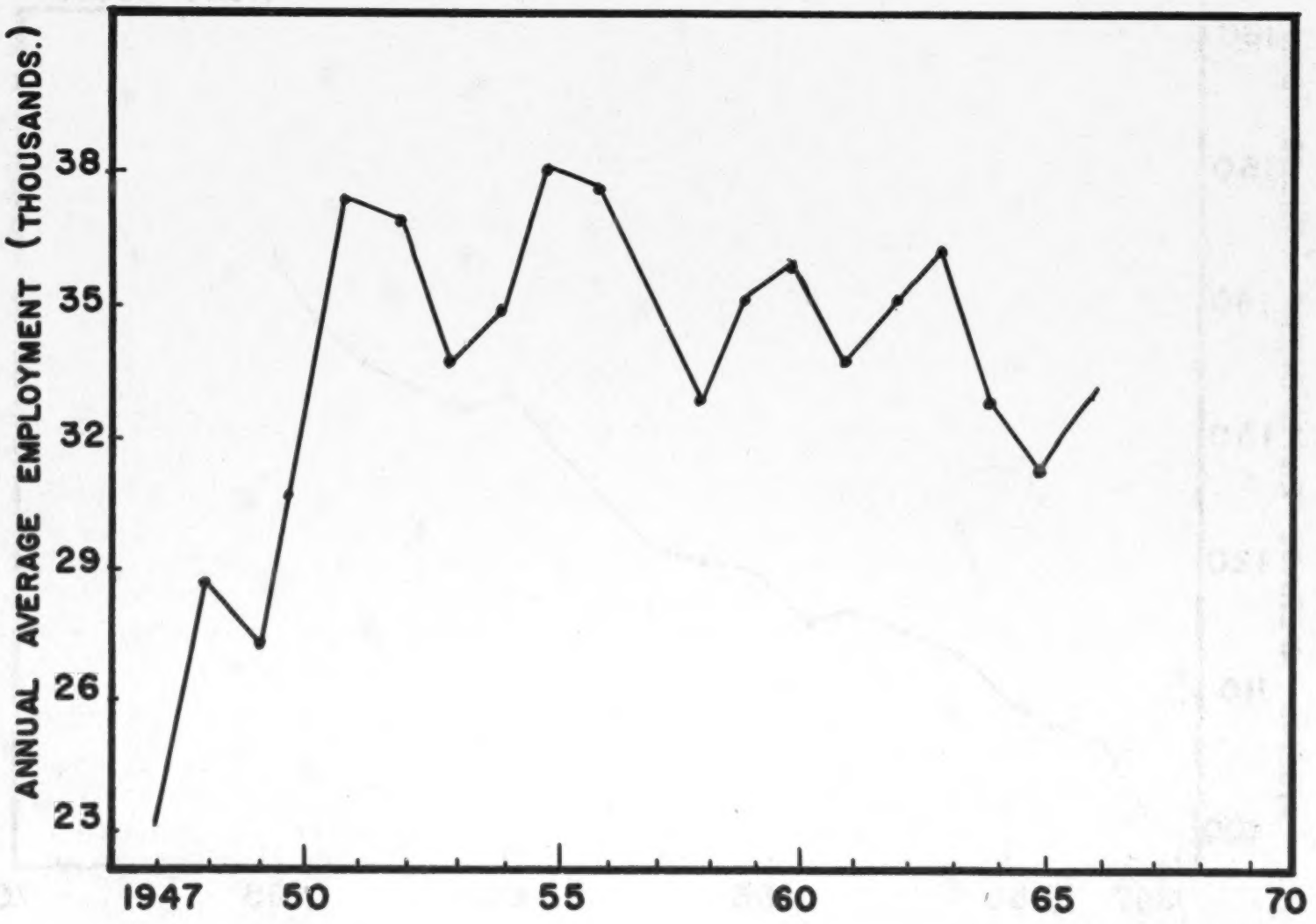


FIGURE 11 TRANSPORTATION, COMMUNICATIONS, ELECTRICAL, GAS AND SANITATION SERVICE EMPLOYMENT IN KANSAS (1947-1965)

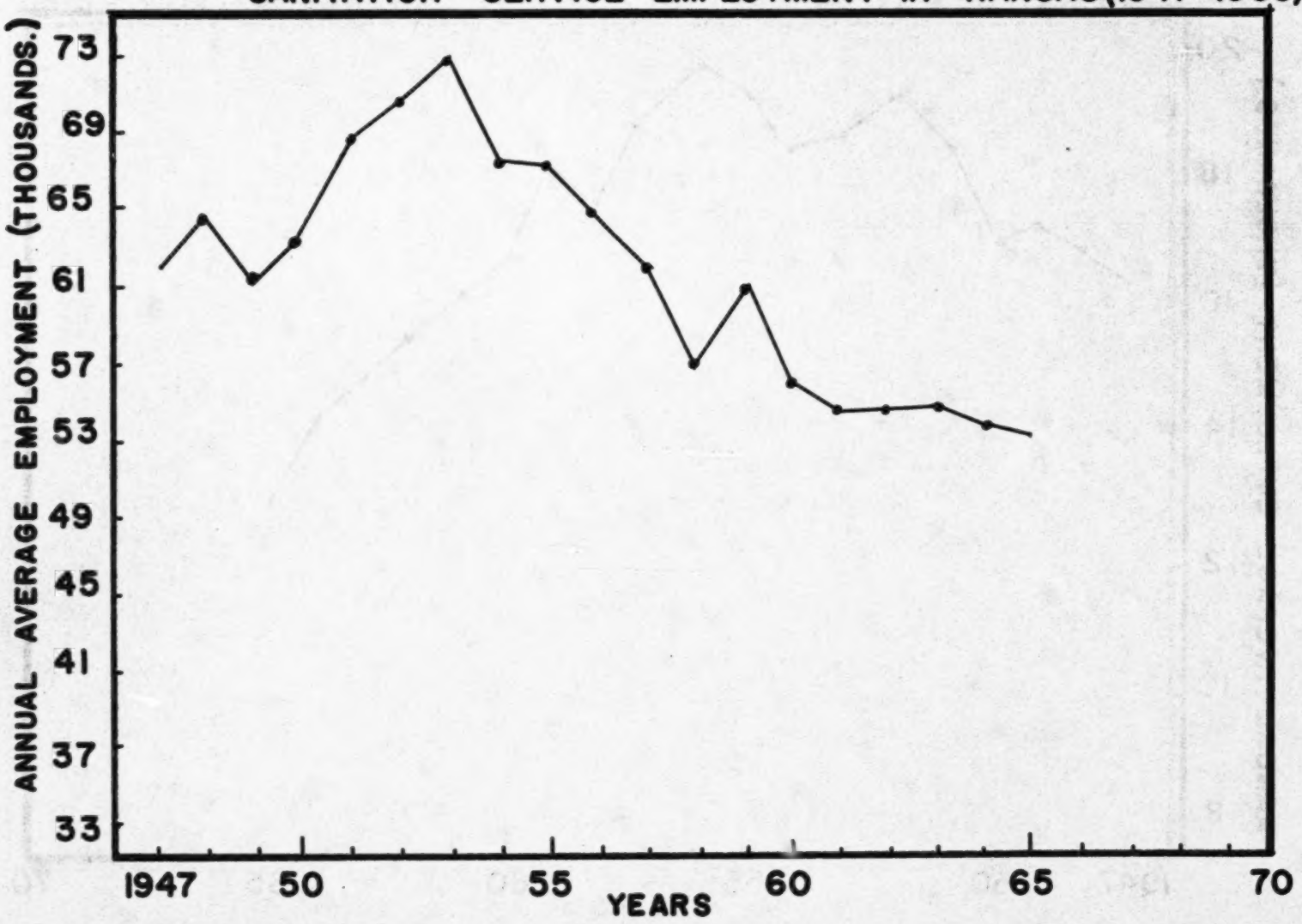


FIGURE 12 WHOLESALE AND RETAIL TRADE EMPLOYMENT IN KANSAS (1947-1965)

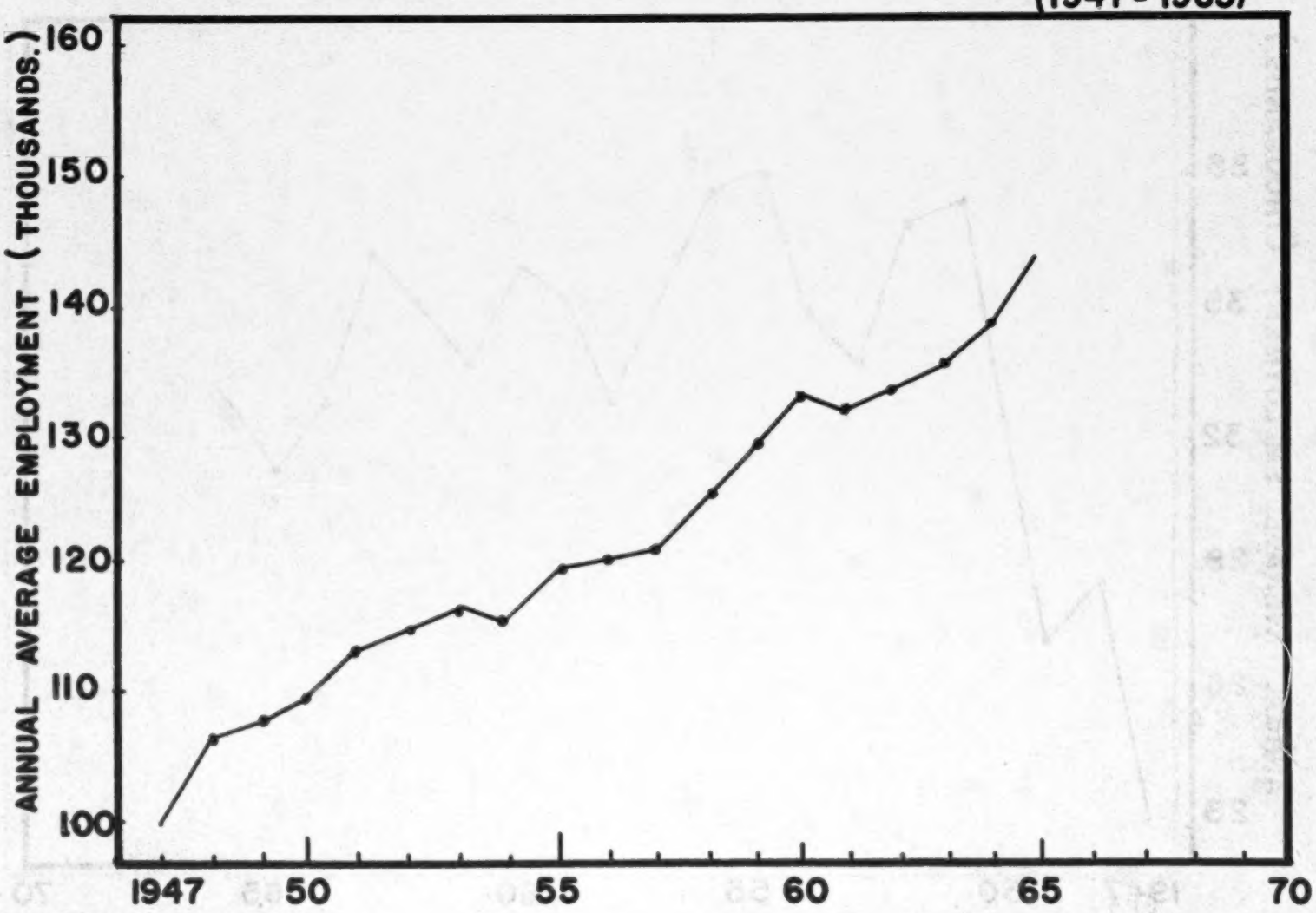


FIGURE 13 FINANCE, INSURANCE AND REAL ESTATE EMPLOYMENT IN KANSAS(1947 - 1965)

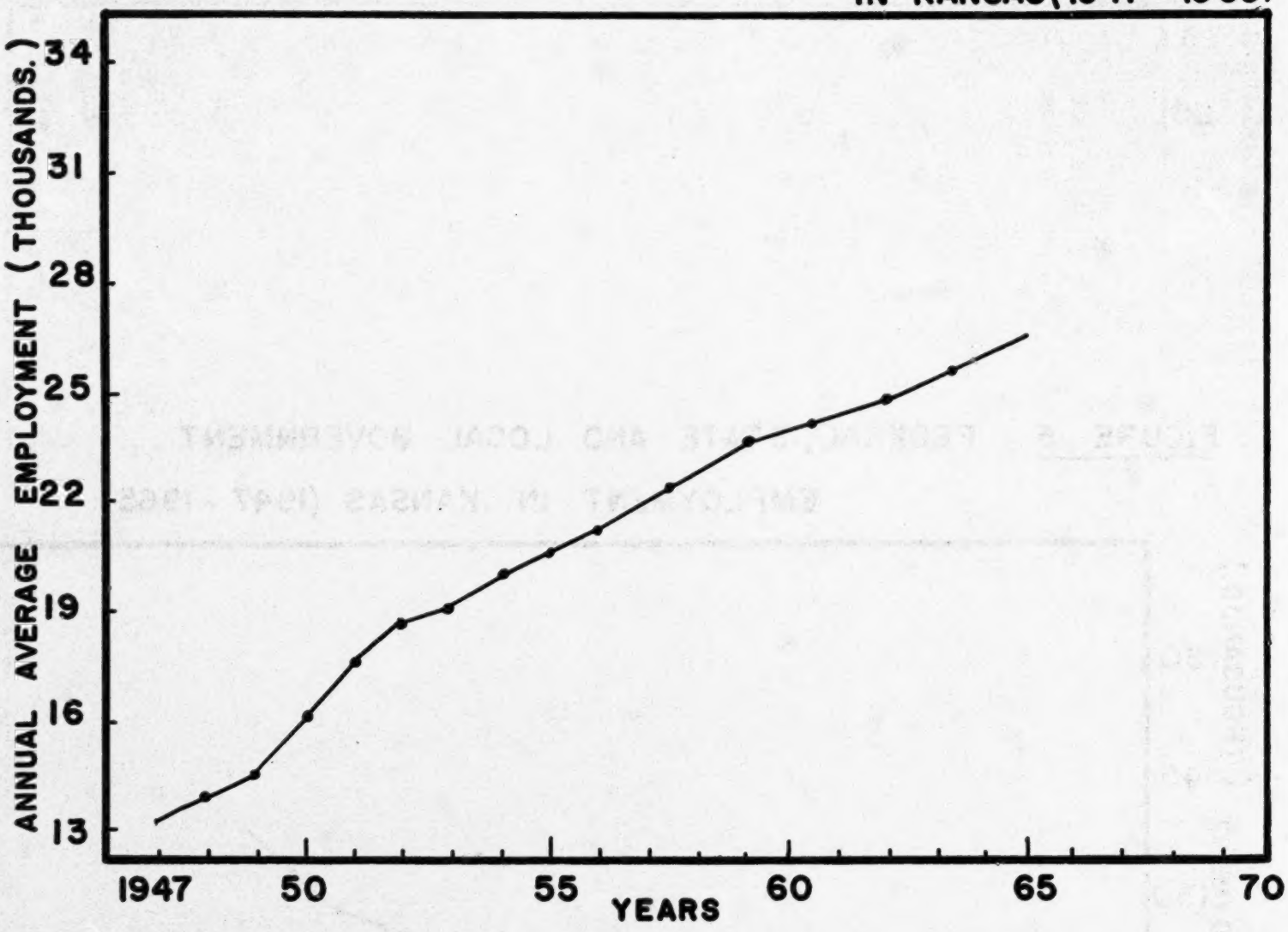


FIGURE 14 SERVICES EMPLOYMENT IN KANSAS (1947-1965)

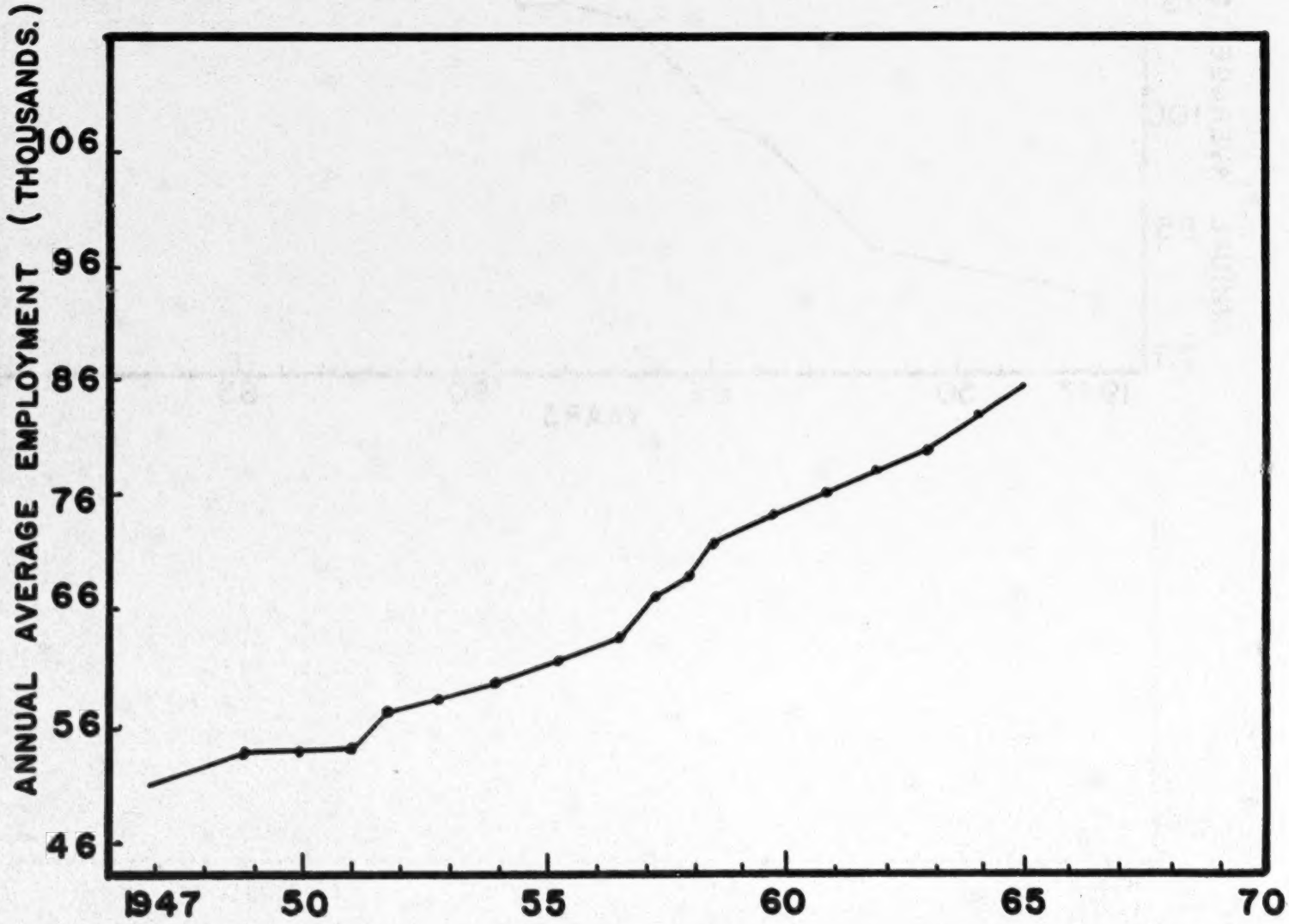


FIGURE 15 FEDERAL, STATE. AND LOCAL GOVERNMENT EMPLOYMENT IN KANSAS (1947 - 1965)

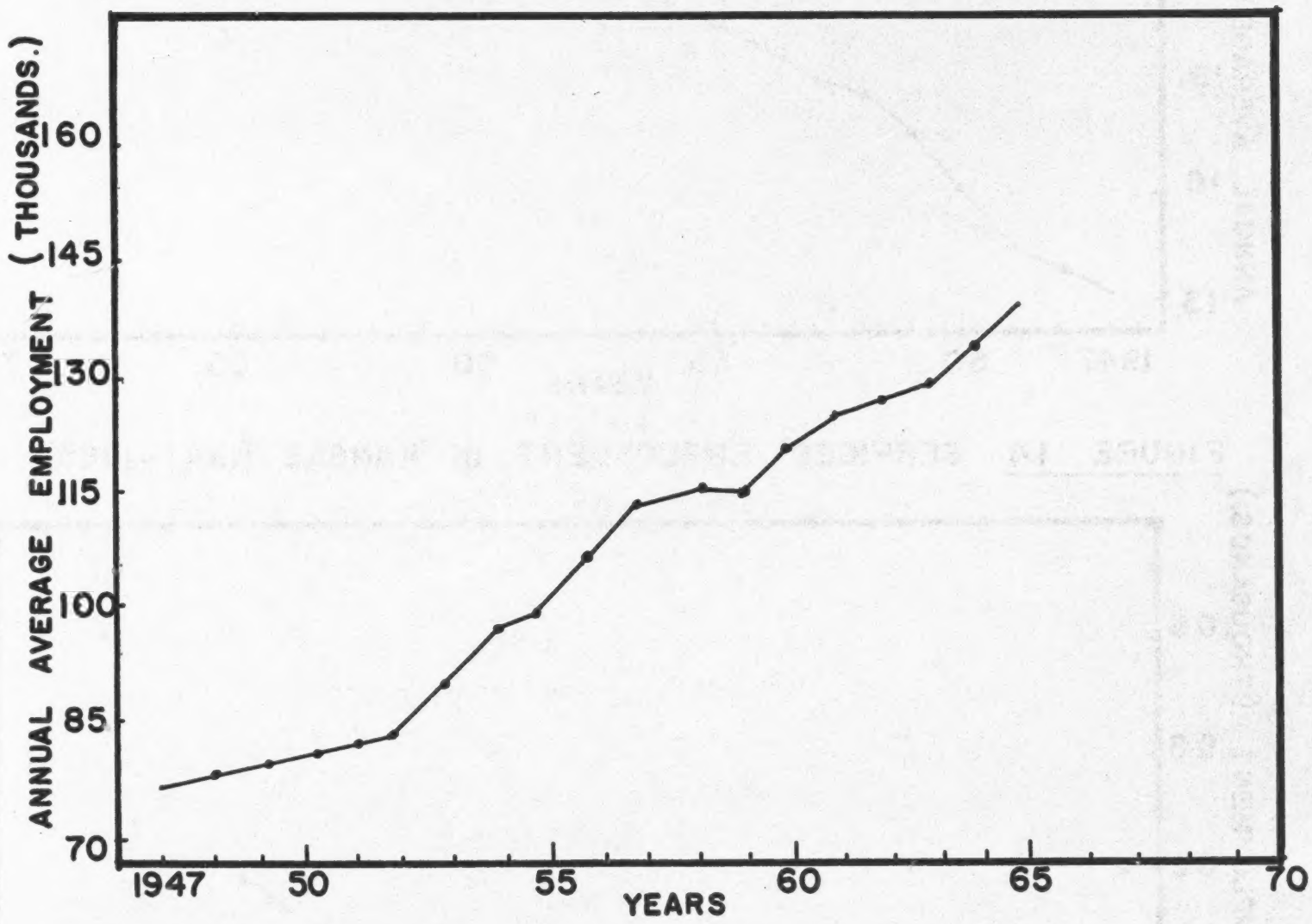
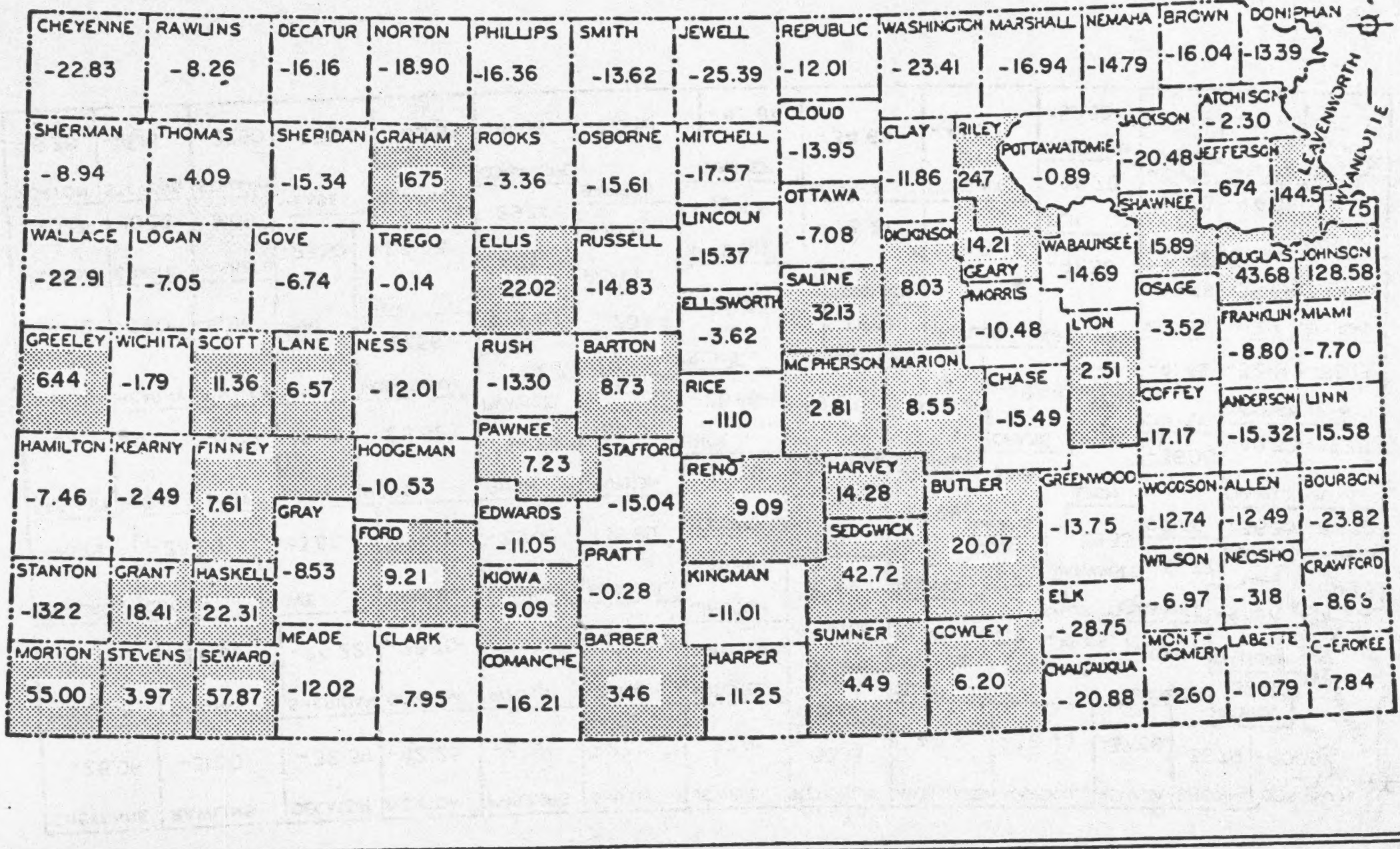


FIGURE 16

PERCENTAGE CHANGE IN TOTAL EMPLOYMENT IN KANSAS COUNTIES

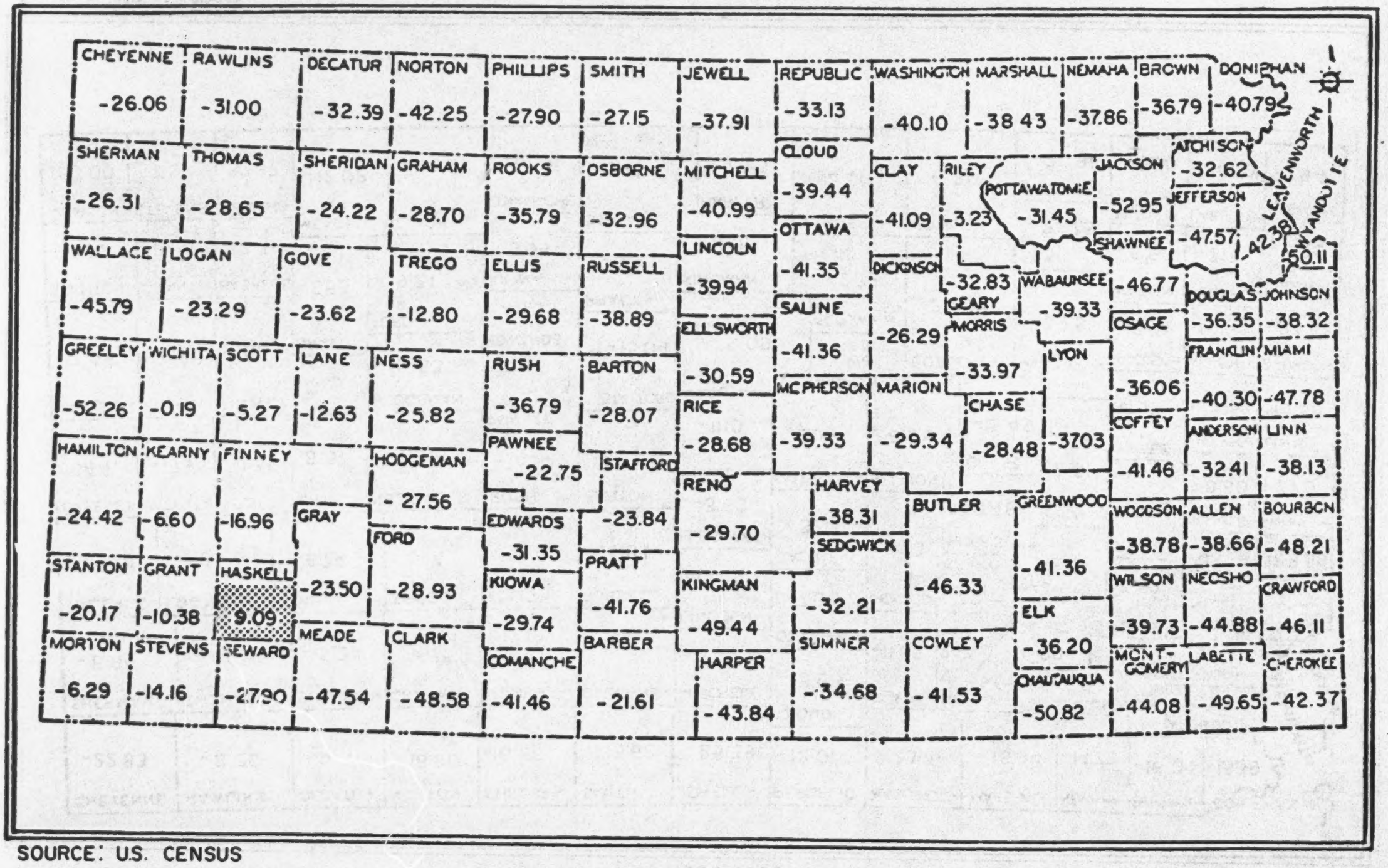
1950-1960



SOURCE: U.S. CENSUS

FIGURE 17

PERCENTAGE CHANGE IN AGRICULTURAL EMPLOYMENT IN KANSAS COUNTIES
1950-1960



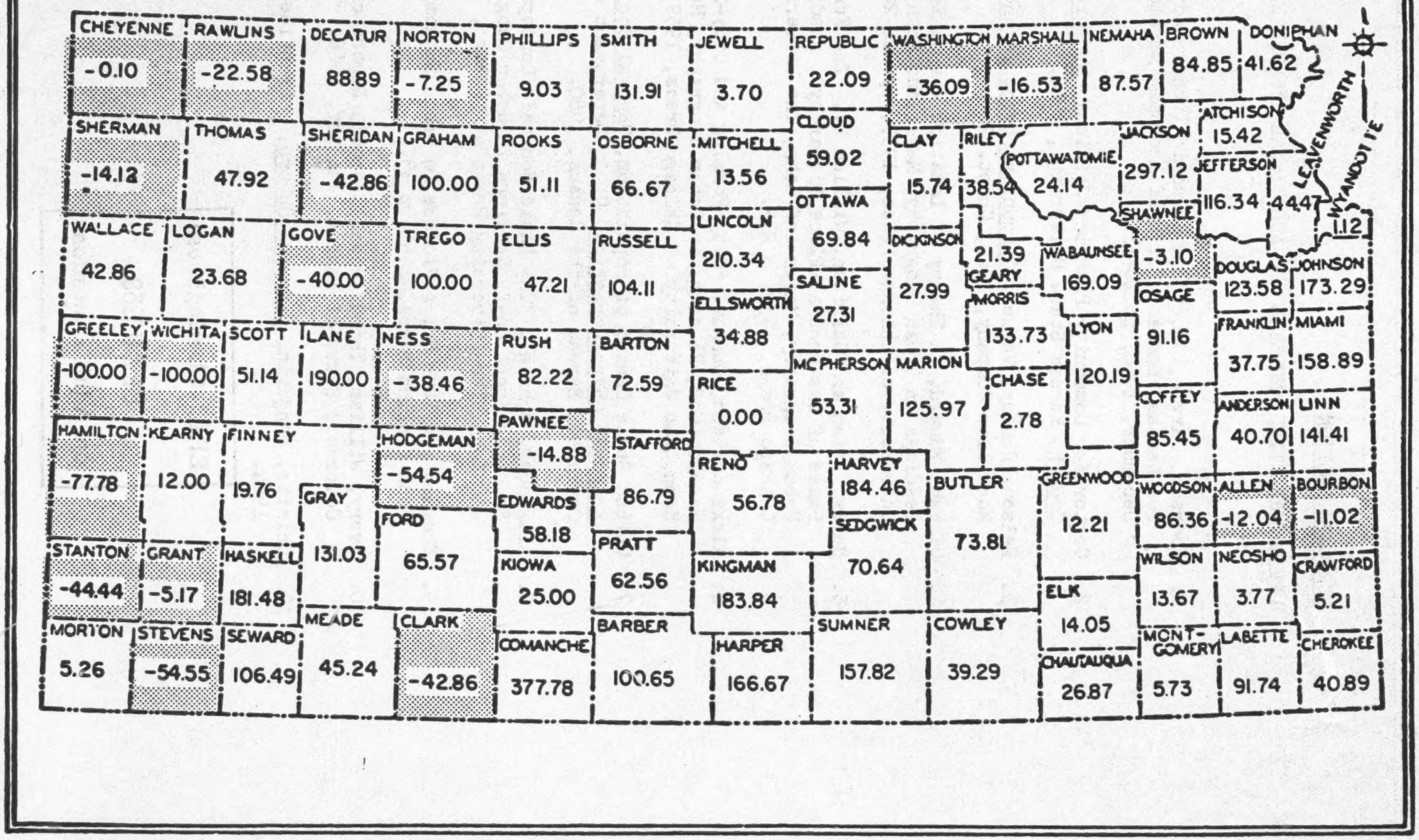
SOURCE: U.S. CENSUS

PERCENTAGE INCREASE

FIGURE 18

PERCENTAGE CHANGE IN MANUFACTURING EMPLOYMENT IN KANSAS COUNTIES

1950-1960



SOURCE: U.S. CENSUS

PERCENTAGE DECREASE

ECONOMIC SECTION:

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